

**CITY OF SAVANNAH,
TENNESSEE**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

CITY OF SAVANNAH, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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CITY OF SAVANNAH, TENNESSEE

ROSTER OF PUBLICLY ELECTED OFFICIALS AND MANAGEMENT

JUNE 30, 2015

PUBLICLY ELECTED OFFICIALS

Robert E. Shutt	Mayor
Blake White	Vice-Mayor
David Carroll	Commissioner
Kent Collier	Commissioner
Wes Wilkerson	Commissioner

MANAGEMENT

Garry Welch	City Manager
C. Seth Sumner	Assistant City Manager
Brinn Roten	City Recorder CMFO designee
Virgil Morris	Utilities Director
Gary Will	Police Chief
Stephen Hudson	Acting Fire Chief
Terry Phillips	Superintendent of Public Works
Larry Arendall	Director of Parks and Recreation
Roger Franks	Community Development Director
Tom Smith	Project Manager
Dennis Plunk	City Attorney



Independent Auditor's Report

To the Mayor and Board of Commissioners
City of Savannah, Tennessee
Savannah, Tennessee 38372

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely component unit, each major fund, and the aggregate remaining fund information of the City of Savannah, Tennessee (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Solid Waste Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4.A., the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement 27*. The City also adopted the provisions of Governmental Standards Accounting Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS, and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 5 through 11 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, other supplemental information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for that which has been marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, other supplemental information, and the schedule of expenditures of federal awards, except for that which has been marked "unaudited", are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section, the AWWA Free Water Audit Software: Reporting Worksheet, and the AWWA Free Water Audit Software: System Attributes and Performance Indicators – "unaudited" have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with

certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Modum : Associates, PLLC

February 10, 2016

**CITY OF SAVANNAH, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

As management of the City of Savannah, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$36,652,485 (*net position*). Of this amount, \$12,855,648 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased \$2,184,519 or 6.3%.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,301,419, an increase of 5.4% in comparison with the prior year's total of \$7,878,182. Approximately, 80% of this amount (\$6,661,644) is available for spending at the government's discretion (*unassigned fund balance*).
- The City's total long-term debt decreased by \$644,642 from principal payments on outstanding debt.
- The City had no deficit fund balances at year end.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health, welfare and recreation, and debt service. The business-type activities of the City include Gas, Sewer, and Water Authorities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate industrial development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 – 13 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and solid waste fund, which are considered to be major funds. Data from the other two governmental funds – Police Drug Fund and Debt Service Sinking Fund – are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report.

The City adopts an annual appropriated budget for its general, solid waste, police drug fund, and debt service sinking fund. A budgetary comparison statement has been provided for the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 – 24 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Gas, Sewer, and Water Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Gas, Sewer, and Water Funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 26 – 28 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 – 49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 50 - 52.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 53 – 56.

Supplementary schedules required by the Comptroller of the State of Tennessee can be found on pages 57 – 66.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$34,848,929, at the close of the most recent fiscal year.

For the year ended June 30, 2015, net position changed as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,778,421	\$ 9,005,085	\$ 8,979,158	\$ 8,290,088	\$ 18,757,579	\$ 17,295,173
Capital Assets	11,114,920	10,183,175	24,146,125	24,610,500	35,261,045	34,793,675
Total Assets	20,893,341	19,188,260	33,125,283	32,900,588	54,018,624	52,088,848
Total deferred outflows of resources	106,258	-	81,237	-	187,495	-
Long term liabilities	4,051,993	4,212,607	11,134,151	11,624,704	15,186,144	15,837,311
Other liabilities	207,493	133,663	449,156	414,735	656,649	548,398
Total Liabilities	4,259,486	4,346,270	11,583,307	12,039,439	15,842,793	16,385,709
Total deferred inflows of resources	1,340,273	854,190	370,568	-	1,710,841	854,190
Net Position:						
Net investment in capital assets	7,454,620	6,362,261	13,138,170	13,115,085	20,592,790	19,477,346
Restricted	1,507,188	1,507,188	1,696,859	1,734,228	3,204,047	3,241,416
Unrestricted	6,438,032	6,118,351	6,417,616	6,011,816	12,855,648	12,130,167
Total Net Position	\$ 15,399,840	\$ 13,987,800	\$ 21,252,645	\$ 20,861,129	\$ 36,652,485	\$ 34,848,929

A portion of the City's net position (56%) reflects its investment in capital assets (land, buildings, machinery, equipment, and vehicles) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,855,648 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$1,628,427 from the prior fiscal year for an ending balance of \$15,399,840. The revenues for the City's governmental activities increased by 32.5% (\$561,059), while total expenses increased by 10.7% (\$939,700).

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$21,252,645. The total increase in net position for business-type activities was \$556,092 or 2.67% from the prior fiscal year. All three utility funds had a positive change in net position for the year.

The following schedule presents a summary of the City's operations for the fiscal year ended June 30, 2015 with comparative totals for year ended June 30, 2014.

CITY OF SAVANNAH'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 1,109,272	\$ 1,067,849	\$ 7,279,173	\$ 7,830,401	\$ 8,388,445	\$ 8,898,250
Operating grants & contributions	213,937	260,638	64,000	-	277,937	260,638
Capital grants & contributions	964,413	398,076	-	-	964,413	398,076
General Revenues:						
Property taxes	999,023	991,771	-	-	999,023	991,771
Sales taxes	7,812,069	8,204,369	-	-	7,812,069	8,204,369
Investment earnings	27,796	27,344	16,176	21,866	43,972	49,210
Employee paid premiums	-	21,185	-	-	-	21,185
Pension income	12,741	-	9,689	-	22,430	-
Insurance recovery	4,536	-	-	-	4,536	-
Rental income	-	-	27,600	29,880	27,600	29,880
Gain (loss) on sale of capital assets	5,862	(4,040)	16,296	-	22,158	(4,040)
Donations	-	30,000	-	-	-	30,000
Operating transfer in	130,848	129,323	(130,848)	(129,323)	-	-
Miscellaneous	33,655	18,616	-	-	33,655	18,616
Total revenues	<u>11,314,152</u>	<u>11,145,131</u>	<u>7,282,086</u>	<u>7,752,824</u>	<u>18,596,238</u>	<u>18,897,955</u>
Expenses:						
General government and administration	4,541,861	4,338,690	-	-	4,541,861	4,338,690
Public safety	2,147,386	2,019,345	-	-	2,147,386	2,019,345
Public works	2,034,975	1,639,049	-	-	2,034,975	1,639,049
Health, welfare and recreation	852,531	673,985	-	-	852,531	673,985
Economic development	38,396	-	-	-	38,396	-
Debt service	66,241	70,648	-	-	66,241	70,648
Miscellaneous	4,335	4,308	-	-	4,335	4,308
Natural gas	-	-	3,016,818	3,489,473	3,016,818	3,489,473
Sewer	-	-	2,495,889	2,570,626	2,495,889	2,570,626
Water	-	-	1,213,287	1,226,104	1,213,287	1,226,104
Total expenses	<u>9,685,725</u>	<u>8,746,025</u>	<u>6,725,994</u>	<u>7,286,203</u>	<u>16,411,719</u>	<u>16,032,228</u>
Increase in net position before transfers	1,628,427	2,399,106	556,092	466,621	2,184,519	2,865,727
Net position - beginning, original	13,987,800	11,688,617	20,861,129	21,055,877	34,848,929	32,744,494
Restatement - GASB No. 68	(216,387)	-	(164,576)	-	(380,963)	-
Prior period adjustment	-	(99,923)	-	(661,369)	-	(761,292)
Net position - beginning, restated	<u>13,771,413</u>	<u>11,588,694</u>	<u>20,696,553</u>	<u>20,394,508</u>	<u>34,467,966</u>	<u>31,983,202</u>
Net position - ending	<u>\$ 15,399,840</u>	<u>\$ 13,987,800</u>	<u>\$ 21,252,645</u>	<u>\$ 20,861,129</u>	<u>\$ 36,652,485</u>	<u>\$ 34,848,929</u>

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or

individual that has been delegated authority to assign resources for use for particular purposes by the City's Board of Commissioners.

At June 30, 2015, the City's governmental funds reported combined fund balances of \$8,301,419, a 5.37% increase in comparison with the prior year. Approximately, 80% of this amount (\$6,312,737) constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The remainder of the fund balance is either *nonspendable or restricted* to indicate that it is 1) not in spendable form (\$97,092) or 2) restricted for particular purposes (\$1,542,683).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,661,644, while total fund balance increased to \$6,759,349.

The fund balance of the City's general fund increased \$387,742 during the current fiscal year.

The Solid Waste Fund, a major fund, had a \$38,803 increase in fund balance during the current fiscal year. This is comparable to the prior year increase.

The Police Drug Fund, a nonmajor fund, had a \$3,308 decrease in fund balance during the current year.

The Debt Service Fund, a nonmajor fund, had no change in fund balance in the current year.

The following schedule presents a summary of general and special revenue funds' expenditures and revenues for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues	June 30, 2015	Percent of Total	Increase (Decrease) from June 30, 2014	Percent Increase (Decrease)
Taxes	\$ 7,609,086	68.11%	\$ (222,368)	-2.84%
Intergovernmental	2,389,271	21.39%	354,048	17.40%
Charges for services	1,048,973	9.39%	27,493	2.69%
Other revenues	123,810	1.11%	(4,961)	-3.85%
Total Revenues	\$ 11,171,140	100.00%	\$ 154,212	1.40%

The decrease in tax revenue is primarily due to decreased local sales taxes, while the increase in intergovernmental revenues is due to increased grant revenues.

Expenditures	June 30, 2015	Percent of Total	Increase (Decrease) from June 30, 2014	Percent Increase (Decrease)
General government	\$ 4,521,328	41.54%	\$ 209,247	4.85%
Public safety	1,996,934	18.35%	107,278	5.68%
Public works	1,915,383	17.60%	471,313	32.64%
Health, welfare and recreation	654,584	6.01%	54,828	9.14%
Economic development	38,396	0.35%	38,396	N/A
Miscellaneous	4,335	0.04%	27	0.63%
Capital outlay	1,519,514	13.96%	(1,367,578)	-47.37%
Debt service	234,139	2.15%	8,362	3.70%
Total Expenditures	\$ 10,884,613	100.00%	\$ (478,127)	-4.21%

Overall, the City's expenditures decreased during the year. The main decrease was in capital outlay. The City had a large capital outlay project in the prior year. There were no expenditures in Economic development in the prior year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Gas Fund at the end of the year was \$7,307,973. The change in net position for the fund was \$122,950 compared to \$362,440 in the prior year. Operating revenues and expenses slightly decreased over the year. The decrease in operating revenues and expense was mainly due to natural gas purchases.

Unrestricted net position of the Sewer Fund at the end of the year was \$5,876,868. The change in net position for the fund was \$157,137 compared to \$2,836 in the prior year. Operating revenue increased slightly and expenses remained relatively the same over the year.

Unrestricted net position of the Water Fund at the end of the year was \$8,067,804. The change in net position for the fund was \$276,005 compared to \$101,345 in the prior year. Operating revenues and expenses increased slightly over the year.

COMPONENT UNIT

The Government Accounting Standards Board (GASB 14) requires that certain organizations affiliated with the primary government be reported as component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The nature and significance of component units are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit for the City of Savannah is the Savannah Industrial Development Corporation.

A summary of the City's component unit operations follows:

	Savannah Industrial Development Corporation	
	2015	2014
Program revenues	\$ 125,811	\$ 128,340
Total general revenues	684	5,864
Total Revenues	126,495	134,204
Program expenses	122,634	124,776
Change in net position	3,861	9,428
Net Position At Beginning of Year, as originally stated	331,089	321,661
Prior Period Adjustment	-	-
Net Position At Beginning of Year, as restated	331,089	321,661
Net Position at End of Year	\$ 334,950	\$ 331,089

Complete financial statements of SIDC may be obtained from the Savannah Industrial Development Corporation, c/o Steve Bunnell, 495 Main Street, Savannah, TN 38372.

General Fund Budgetary Highlights

Original budget compared to final budget. Over the course of the year, the City did not amend the budget.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variance.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$35,261,045 (net of accumulated depreciation). This investment in capital assets police and fire equipment, buildings, parks facilities, water and sewer lines, natural gas lines, and various other equipment. The total increase in capital assets net of accumulated depreciation for the current fiscal year was

\$2,098,574, or 6%. Additional information on the City's capital assets can be found in Note 3.C. on page 36 of this report.

Long-term Debt. At the end of the current fiscal year, the City had \$15,186,144 in outstanding long-term debt. Of the total outstanding debt, 27% belongs to the Governmental funds, 4% to the Gas fund, 20% to the Sewer Fund, and 49% to the Water Fund.

The City's total debt decreased by \$651,157 (4.1%) during the current fiscal year. The reason for the decrease was routine principal payments.

Requests of Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 140 Main Street, Savannah, Tennessee.

Brinn Roten
City Recorder

CITY OF SAVANNAH, TENNESSEE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Corporation
ASSETS				
Cash and cash equivalents	\$ 3,755,244	\$ 3,863,206	\$ 7,618,450	\$ 255,503
Investments	3,550,000	2,473,136	6,023,136	52,500
Receivables:				
Property taxes	985,925	-	985,925	-
Accounts receivable, net of allowance	55,649	206,526	262,175	-
Due from other governments	865,793	-	865,793	-
Grant receivable	88,068	19,057	107,125	-
Other receivables	98,344	18,896	117,240	-
Leases receivable	-	-	-	109,635
Notes receivable, net of allowance	-	-	-	18,333
Natural gas storage	-	243,994	243,994	-
Internal balances	(1,277)	1,277	-	-
Inventory	-	207,339	207,339	-
Prepaid expenses	97,092	33,185	130,277	-
Net pension asset	283,583	215,683	499,266	-
Restricted assets:				
Cash and cash equivalents	-	946,859	946,859	-
Investments	-	750,000	750,000	-
Capital assets (net of accumulated depreciation):				
Nondepreciable	2,930,396	852,399	3,782,795	-
Depreciable	8,184,524	23,293,726	31,478,250	8,621
TOTAL ASSETS	20,893,341	33,125,283	54,018,624	444,592
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	106,258	81,237	187,495	-
LIABILITIES				
Accounts payable and accrued expenses	207,493	89,732	297,225	7
Customer deposits	-	359,424	359,424	-
Long-term liabilities:				
Due within one year	168,010	494,000	662,010	39,855
Due in more than one year	3,883,983	10,640,151	14,524,134	69,780
TOTAL LIABILITIES	4,259,486	11,583,307	15,842,793	109,642
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	853,044	-	853,044	-
Deferred inflows related to pension	487,229	370,568	857,797	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,340,273	370,568	1,710,841	-
NET POSITION				
Net investment in capital assets	7,454,620	13,138,170	20,592,790	-
Restricted for:				
Construction	-	1,696,859	1,696,859	-
Debt service	25,874	-	25,874	26,250
Drug fund	51,394	-	51,394	-
Police fines	613	-	613	-
Solid waste	1,429,307	-	1,429,307	-
Unrestricted	6,438,032	6,417,616	12,855,648	308,700
TOTAL NET POSITION	\$ 15,399,840	\$ 21,252,645	\$ 36,652,485	\$ 334,950

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Program Activities	Expenses	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION			Component Unit Industrial Development Corporation
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General Government	\$ 4,541,861	\$ 22,660	\$ 3,500	\$ -	\$ (4,515,701)	\$ -	\$ (4,515,701)	-
Public Safety	2,147,386	43,439	18,600	21,343	(2,064,004)	-	(2,064,004)	-
Public Works	2,034,975	908,404	184,337	943,070	836	-	836	-
Health, Welfare and Recreation	852,531	134,769	7,500	-	(710,262)	-	(710,262)	-
Economic development	38,396	-	-	-	(38,396)	-	(38,396)	-
Miscellaneous	4,335	-	-	-	(4,335)	-	(4,335)	-
Interest on long-term debt	66,241	-	-	-	(66,241)	-	(66,241)	-
Total governmental-type activities	9,685,725	1,109,272	213,937	964,413	(7,398,103)	-	(7,398,103)	-
Business-type activities:								
Gas Fund	3,016,818	3,166,100	22,679	-	-	171,961	171,961	-
Water Fund	2,495,889	2,745,744	20,582	-	-	270,437	270,437	-
Sewer Fund	1,213,287	1,367,329	20,739	-	-	174,781	174,781	-
Total business-type activities	6,725,994	7,279,173	64,000	-	-	617,179	617,179	-
Total primary government	\$ 16,411,719	\$ 8,388,445	\$ 277,937	\$ 964,413	\$ (7,398,103)	\$ 617,179	\$ (6,780,924)	\$ -
Component unit:								
Industrial Development Corporation	122,634	-	110,000	-	-	-	-	(12,634)
General revenues:								
Taxes:								
Property					900,265	-	900,265	-
In-lieu of taxes					98,758	-	98,758	-
Sales					7,708,747	-	7,708,747	-
Public service taxes					103,322	-	103,322	-
Investment earnings					27,796	16,176	43,972	6,793
Gain (loss) on sale/retirement of capital assets					5,862	16,296	22,158	-
Insurance recoveries					4,536	-	4,536	-
Pension income					12,741	9,689	22,430	-
Rent income					-	27,600	27,600	-
Miscellaneous					33,655	-	33,655	9,702
Transfer out - in lieu of taxes					130,848	(130,848)	-	-
Total general revenues and transfers					9,026,530	(61,087)	8,965,443	16,495
Change in net position					1,628,427	556,092	2,184,519	3,861
Net position- beginning					13,987,800	20,861,129	34,848,929	331,089
Restatement - GASB Statement No. 68 implementation					(216,387)	(164,576)	(380,963)	-
Net position - beginning, as restated					13,771,413	20,696,553	34,467,966	331,089
Net position - ending					\$ 15,399,840	\$ 21,252,645	\$ 36,652,485	\$ 334,950

The accompanying notes are an integral part of these financial statements.

**CITY OF SAVANNAH, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Solid Waste Collection Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 3,106,298	\$ 583,981	\$ 64,965	\$ 3,755,244
Investments	2,700,000	850,000	-	3,550,000
Taxes receivable	985,925	-	-	985,925
Accounts receivable	-	55,649	-	55,649
Due from other governments	865,793	-	-	865,793
Due from other funds	-	-	8,995	8,995
Grant receivable	88,068	-	-	88,068
Other receivables	94,579	3,764	-	98,343
Prepaid expenses	97,092	-	-	97,092
TOTAL ASSETS	<u>\$ 7,937,755</u>	<u>\$ 1,493,394</u>	<u>\$ 73,960</u>	<u>\$ 9,505,109</u>
LIABILITIES				
Accounts payable	\$ 115,577	\$ 24,007	\$ -	\$ 139,584
Due to other funds	8,995	1,277	-	10,272
Accrued expenses	67,909	-	-	67,909
TOTAL LIABILITIES	<u>192,481</u>	<u>25,284</u>	<u>-</u>	<u>217,765</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	<u>985,925</u>	<u>-</u>	<u>-</u>	<u>985,925</u>
FUND BALANCE				
Nonspendable				
Prepays	97,092	-	-	97,092
Restricted				
Debt service	-	-	25,874	25,874
Police drug fund	-	-	48,086	48,086
Police fines	613	-	-	613
Solid waste fund	-	1,468,110	-	1,468,110
Unassigned				
General fund	6,661,644	-	-	6,661,644
TOTAL FUND BALANCES	<u>6,759,349</u>	<u>1,468,110</u>	<u>73,960</u>	<u>8,301,419</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,937,755</u>	<u>\$ 1,493,394</u>	<u>\$ 73,960</u>	<u>\$ 9,505,109</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SAVANNAH, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance - total governmental funds	\$ 8,301,419
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	11,114,920
Net pension asset is not recorded on governmental fund balance sheet but is recorded for government-wide purposes.	283,583
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	(380,971)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	132,882
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	<u>(4,051,993)</u>
Net position of governmental activities	<u><u>\$ 15,399,840</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Solid Waste Collection Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes				
Property taxes	\$ 906,704	\$ -	\$ -	\$ 906,704
Penalty and interest	13,250	-	-	13,250
In lieu of tax	17,632	-	-	17,632
Sales	5,710,457	-	-	5,710,457
Franchise	103,322	-	-	103,322
River resort tax	633,203	-	-	633,203
Wholesale liquor	166,522	-	-	166,522
Hotel-motel tax	57,996	-	-	57,996
Intergovernmental revenues	2,389,271	-	-	2,389,271
Licenses and permits	16,634	-	-	16,634
Charges for services	140,569	908,404	-	1,048,973
Fines, forfeits, and penalties	38,094	-	5,345	43,439
Other revenues	59,262	4,429	46	63,737
Total revenues	<u>10,252,916</u>	<u>912,833</u>	<u>5,391</u>	<u>11,171,140</u>
Expenditures				
Current:				
General government	4,521,328	-	-	4,521,328
Public safety	1,990,710	-	6,224	1,996,934
Public works	1,041,353	874,030	-	1,915,383
Health, welfare, and recreation	654,584	-	-	654,584
Economic development	38,396	-	-	38,396
Miscellaneous	4,335	-	-	4,335
Capital outlay	1,497,039	-	22,475	1,519,514
Debt Service	-	-	234,139	234,139
Total expenditures	<u>9,747,745</u>	<u>874,030</u>	<u>262,838</u>	<u>10,884,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>505,171</u>	<u>38,803</u>	<u>(257,447)</u>	<u>286,527</u>
Other financing sources (uses)				
Transfers in (out)	(123,291)	-	254,139	130,848
Sale of equipment	5,862	-	-	5,862
Total other financing sources (uses)	<u>(117,429)</u>	<u>-</u>	<u>254,139</u>	<u>136,710</u>
Net Change in Fund Balances	<u>387,742</u>	<u>38,803</u>	<u>(3,308)</u>	<u>423,237</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>6,371,607</u>	<u>1,429,307</u>	<u>77,268</u>	<u>7,878,182</u>
FUND BALANCE AT END OF YEAR	<u>\$ 6,759,349</u>	<u>\$ 1,468,110</u>	<u>\$ 73,960</u>	<u>\$ 8,301,419</u>

CITY OF SAVANNAH, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	423,237
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded for the current period.		1,519,514
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in government funds.		(587,499)
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Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(7,283)
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Some revenues reported in the statement of activities do not require the use of current resources and, therefore, are not reported as revenues in the government funds		12,741
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Effect of GASB 68 on retirement expense; reported on governmental funds but not on government-wide for 2014-2015 year		106,258
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds but has no effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.		2,770
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Principal payments on outstanding debt obligations consumes the current financial resources of governmental funds but has no effect on net assets.		165,128
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Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the governmental funds.		(6,439)
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Change in net position of governmental activities	\$	1,628,427
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The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES				
Taxes				
Property taxes - current	\$ 791,250	\$ 791,250	\$ 845,477	\$ 54,227
Property taxes - delinquent	52,500	52,500	61,227	8,727
Penalties and interest	12,000	12,000	13,250	1,250
In lieu of taxes	14,000	14,000	17,632	3,632
Franchise tax	80,000	80,000	103,322	23,322
Hotel-Motel tax	60,000	60,000	57,996	(2,004)
Local liquor tax	160,000	160,000	166,522	6,522
Local sales tax	2,700,000	2,700,000	2,839,884	139,884
Local sales tax allocation (schools)	2,700,000	2,700,000	2,870,573	170,573
River resort tax	550,000	550,000	633,203	83,203
Total taxes	7,119,750	7,119,750	7,609,086	489,336
Licenses and permits				
Beer and liquor licenses	3,000	3,000	3,700	700
Business license	100	100	625	525
Building permits	15,000	15,000	11,584	(3,416)
Fireworks permit fees	500	500	500	-
Rezoning fees	300	300	225	(75)
Total licenses and permits	18,900	18,900	16,634	(2,266)
Intergovernmental revenues				
East Main Street - TDOT	220,000	220,000	189,242	(30,758)
SRTS grant	250,000	250,000	-	(250,000)
Flood Mitigation Grant - 2012 CDBG	700,000	700,000	753,828	53,828
Parks and recreation grant	250,000	250,000	-	(250,000)
Façade grant	18,750	18,750	-	(18,750)
Sidewalk grant	300,000	300,000	-	(300,000)
FEMA fire grant	50,000	50,000	-	(50,000)
State law enforcement salary supplement	8,500	8,500	18,600	10,100
State law enforcement equipment	-	-	8,059	8,059
Governor's highway safety grant	-	-	13,284	13,284
State of Tennessee				
- Beer tax	2,500	2,500	3,339	839
- Business tax - trustee	65,000	65,000	128,348	63,348
- Business tax - county clerk	-	-	226	226
- Excise tax	45,000	45,000	39,034	(5,966)
- Gas 1989	-	-	20,292	20,292
- Gas 3 cent	-	-	37,662	37,662
- Gasoline & motor fuel tax	182,000	182,000	126,383	(55,617)
- Income tax	40,000	40,000	97,894	57,894
- Mixed drink tax	4,500	4,500	975	(3,525)
- Petroleum special	18,000	18,000	14,243	(3,757)
- Sales tax	460,000	460,000	528,794	68,794
- Telecommunications sales tax	-	-	683	683
- TVA in-lieu of tax	65,000	65,000	81,126	16,126
- Wholesale beer tax	300,000	300,000	327,259	27,259
Total intergovernmental revenues	2,979,250	2,979,250	2,389,271	(589,979)
Charges for services				
Lot maintenance charges	2,500	2,500	5,800	3,300
Park and recreation charges	90,000	90,000	105,398	15,398
Park and recreation concessions	15,000	15,000	29,371	14,371
Total charges for services	107,500	107,500	140,569	33,069
City court fines and costs				
Cash bonds	1,000	1,000	8,231	7,231
Court fines	25,000	25,000	19,936	(5,064)
Sale of seized vehicles	-	-	9,325	9,325
Drug related fines	1,000	1,000	502	(498)
Sex offender registry	500	500	100	(400)
Total city court fines and costs	27,500	27,500	38,094	10,594
Other revenues				
Donations	10,000	10,000	7,500	(2,500)
Employee paid dental premiums	17,500	17,500	12,981	(4,519)
City manager grant	-	-	3,500	3,500
Insurance recovery	10,000	10,000	4,536	(5,464)
Interest	10,000	10,000	10,071	71
Miscellaneous refunds	10,000	10,000	18,402	8,402
Fire grant - TML	2,000	2,000	-	(2,000)
Rent income	7,500	7,500	2,272	(5,228)
Total other revenues	67,000	67,000	59,262	(7,738)
TOTAL REVENUES	10,319,900	10,319,900	10,252,916	(66,984)

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL(continued)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative				
OASI	1,000	1,000	735	265
Memberships	1,000	1,000	-	1,000
Out of town expense	5,000	5,000	2,676	2,324
Board and committee members	9,600	9,600	9,600	-
Total legislative	16,600	16,600	13,011	3,589
Judicial				
City judge fee	6,500	6,500	5,845	655
OASI	475	475	447	28
Utilities	850	850	765	85
Total judicial	7,825	7,825	7,057	768
Executive				
Salaries	47,500	47,500	37,092	10,408
OASI	3,750	3,750	3,426	324
Hospital and health insurance	5,000	5,000	4,950	50
Retirement	12,000	12,000	1,960	10,040
Unemployment	100	100	72	28
Self-insured dental	550	550	105	445
Employee medical physical	40	40	-	40
Legal publications	500	500	-	500
Membership and registration fees	3,500	3,500	3,296	204
Public relations	16,000	16,000	14,449	1,551
Utilities	2,800	2,800	2,550	250
Telephone	2,000	2,000	2,122	(122)
Auto allowance	4,200	4,200	4,200	-
Out-of-town expense	7,500	7,500	10,153	(2,653)
Contractual services	3,000	3,000	2,815	185
Service awards	1,600	1,600	1,167	433
River Resort leadership expenses	30,000	30,000	17,446	12,554
Professional services	15,000	15,000	5,542	9,458
Office supplies and materials	250	250	65	185
Operating supplies	500	500	-	500
Surety bonds	350	350	350	-
Elections - special	8,000	8,000	-	8,000
Small equipment	1,000	1,000	1,308	(308)
Total executive	165,140	165,140	113,068	52,072
Financial administration				
Salaries and wages	198,000	198,000	157,341	40,659
Employee social expense	6,000	6,000	3,041	2,959
OASI	12,000	12,000	11,407	593
Hospital and health insurance	20,000	20,000	17,718	2,282
Self-insured dental	2,750	2,750	2,380	370
Retirement	16,000	16,000	11,374	4,626
Unemployment insurance	500	500	462	38
Postage, box rent, etc.	10,000	10,000	4,716	5,284
Printing, stationery, etc.	1,100	1,100	1,280	(180)
Duplications	1,500	1,500	993	507
Legal publications	5,000	5,000	6,810	(1,810)
Membership fees	2,000	2,000	125	1,875
Advertising	500	500	481	19
Utilities	3,500	3,500	2,450	1,050
Telephone	8,000	8,000	5,740	2,260
Employee medical test	250	250	125	125
Auditing services	50,000	50,000	23,700	26,300
Data processing services	20,000	20,000	19,697	303
State sales tax adm	27,500	27,500	28,422	(922)
Professional service - tax	10,000	10,000	15,969	(5,969)
Out-of-town expense	5,000	5,000	3,169	1,831
Employee automobile allowance	3,600	3,600	3,200	400
Office supplies	6,000	6,000	4,645	1,355
Repair and maintenance	-	-	456	(456)
Office stationery	10,000	10,000	476	9,524
Surety bonds	875	875	875	-
Small equipment	14,000	14,000	5,449	8,551
Total financial administration	434,075	434,075	332,501	101,574

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL(continued)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
EXPENDITURES (cont.)				
GENERAL GOVERNMENT (cont.)				
Community development office				
Salaries and wages	85,000	85,000	83,602	1,398
OASI	6,500	6,500	6,156	344
Hospital and health insurance	10,000	10,000	10,284	(284)
Retirement	7,000	7,000	7,158	(158)
Unemployment insurance	200	200	145	55
Self-insured dental	1,325	1,325	1,675	(350)
Publications, subscriptions, dues	250	250	-	250
Legal publications	500	500	331	169
Memberships and registration fees	1,000	1,000	990	10
Utilities	2,500	2,500	2,550	(50)
Telephone	2,250	2,250	1,794	456
Tennessee Planning Office	10,000	10,000	7,146	2,854
Repairs and maintenance	400	400	943	(543)
Out-of-town expense	1,000	1,000	1,616	(616)
Lot maintenance	12,000	12,000	14,042	(2,042)
Gas and oil	1,500	1,500	1,480	20
Small equipment	1,500	1,500	690	810
Supplies	2,000	2,000	3,124	(1,124)
Capital outlay	25,000	25,000	23,271	1,729
Total community development office	169,925	169,925	166,997	2,928
General government buildings				
Salaries	75,000	75,000	42,636	32,364
OASI	5,500	5,500	3,075	2,425
Hospital and health insurance	5,000	5,000	5,044	(44)
Retirement	3,000	3,000	3,036	(36)
Unemployment	200	200	113	87
Self-insured dental	1,100	1,100	307	793
Utilities	17,500	17,500	15,818	1,682
Professional services	-	-	7,973	(7,973)
Repairs and maintenance	50,000	50,000	21,034	28,966
Repair and maintenance-building	10,000	10,000	6,874	3,126
Janitorial supplies	4,000	4,000	3,458	542
Rent	2,500	2,500	2,100	400
Small equipment	1,000	1,000	11,746	(10,746)
Supplies	500	500	10,625	(10,125)
Capital outlay	250,000	250,000	72,214	177,786
Total general government buildings	425,300	425,300	206,053	219,247
Other appropriations				
Hardin County Skills	1,000	1,000	1,000	-
Grant - RSVP	1,000	1,000	1,000	-
American Red Cross	1,000	1,000	1,000	-
Read Across America	750	750	750	-
Senior Citizen Grants	1,000	1,000	1,000	-
Savannah Arts Commission	1,000	1,000	1,000	-
Tennessee River Museum	20,000	20,000	20,000	-
Savannah-Hardin County Airport	62,500	62,500	59,243	3,257
Teen Challenge	2,000	2,000	-	2,000
School Bond Assistance	311,514	311,514	311,514	-
Sales tax allocation to schools	2,750,000	2,750,000	2,842,151	(92,151)
Imagination Library	1,000	1,000	1,000	-
Renaissance Committee	250,000	250,000	150,000	100,000
Carl Perkins	2,000	2,000	2,000	-
Health Care Foundation	3,515	3,515	3,515	-
Daryl Worley Foundation	20,000	20,000	20,000	-
Hardin County Parks	500,000	500,000	12	499,988
Total other appropriations	3,928,279	3,928,279	3,415,185	513,094

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL(continued)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
EXPENDITURES (cont.)				
GENERAL GOVERNMENT (cont.)				
Other general government				
Insurance - buildings	47,750	47,750	48,278	(528)
Liability insurance - auto included	95,000	95,000	119,875	(24,875)
Workers compensation	127,500	127,500	99,553	27,947
Other insurance	10,000	10,000	4,958	5,042
Total other general government	280,250	280,250	272,664	7,586
Mainstreet				
Salaries	36,000	36,000	33,004	2,996
OASI	2,600	2,600	2,882	(282)
Retirement	3,000	3,000	2,867	133
Unemployment insurance	100	100	72	28
Vehicle allowance	3,000	3,000	2,000	1,000
Printing/duplication	2,500	2,500	13,729	(11,229)
Subs/fees/tuition	2,500	2,500	1,578	922
Utilities	3,500	3,500	3,386	114
Telephone	1,800	1,800	1,706	94
Out of town expense	5,000	5,000	17,702	(12,702)
Operating supplies	1,000	1,000	2,200	(1,200)
Small equipment	1,000	1,000	-	1,000
Special events	15,000	15,000	9,151	5,849
Capital outlay	25,000	25,000	4,589	20,411
Total mainstreet	102,000	102,000	94,866	7,134
TOTAL GENERAL GOVERNMENT	5,529,394	5,529,394	4,621,402	907,992
PUBLIC SAFETY				
Police department				
Salaries	890,000	890,000	873,587	16,413
OASI	65,000	65,000	63,679	1,321
Hospital and health insurance	105,000	105,000	100,300	4,700
Retirement	60,000	60,000	55,774	4,226
Unemployment	1,000	1,000	1,752	(752)
Self-insured dental	11,000	11,000	11,079	(79)
Per diem-officer fees	1,500	1,500	1,145	355
Printing, stationery, etc.	2,500	2,500	9,016	(6,516)
Memberships and registration fees	5,000	5,000	19,798	(14,798)
Utilities	15,000	15,000	12,317	2,683
Telephone	12,000	12,000	8,167	3,833
Professional services	500	500	1,240	(740)
Physical exams	1,200	1,200	2,401	(1,201)
Data processing	500	500	-	500
Repair and maintenance - auto	15,000	15,000	16,879	(1,879)
Repair and maintenance - other	10,000	10,000	5,393	4,607
Out-of-town expense	6,000	6,000	6,277	(277)
Boarding prisoners	6,000	6,000	6,344	(344)
Office supplies	4,000	4,000	5,674	(1,674)
Operating supplies	12,500	12,500	10,359	2,141
Clothing and uniforms	7,500	7,500	15,352	(7,852)
Firearm supplies	5,000	5,000	3,393	1,607
Gas, oil, and diesel	45,000	45,000	37,507	7,493
Tires and tubes	2,500	2,500	2,797	(297)
Other fixed charges	1,500	1,500	2,029	(529)
Small equipment	10,000	10,000	16,937	(6,937)
Capital outlay	92,500	92,500	75,334	17,166
Total police department	1,387,700	1,387,700	1,364,530	23,170

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
EXPENDITURES (cont.)				
PUBLIC SAFETY (cont.)				
Fire department				
Salaries and wages	350,000	350,000	358,736	(8,736)
OASI	25,000	25,000	26,104	(1,104)
Hospital and health insurance	35,000	35,000	37,125	(2,125)
Retirement	26,000	26,000	27,699	(1,699)
Unemployment insurance	500	500	805	(305)
Self-insured dental	4,350	4,350	2,610	1,740
Per diem - volunteer firemen	25,000	25,000	140	24,860
Radio and television services	500	500	168	332
Printing, stationery and forms	500	500	-	500
Training fees and expenses	7,500	7,500	4,613	2,887
Books, catalogues, etc.	500	500	135	365
Publicity and subscriptions	1,000	1,000	1,206	(206)
Utilities	17,500	17,500	15,092	2,408
Telephone	3,000	3,000	1,649	1,351
Medical	2,500	2,500	410	2,090
Repair and maintenance - services	3,000	3,000	2,937	63
Repair and maintenance - vehicles	5,000	5,000	5,106	(106)
Repair and maintenance - other	3,000	3,000	7,220	(4,220)
Out-of-town expense	2,500	2,500	1,946	554
Office supplies	500	500	1,000	(500)
Operating supplies	6,000	6,000	3,595	2,405
Clothing and uniforms	5,000	5,000	3,276	1,724
Gas, oil and diesel	5,000	5,000	4,347	653
Tires, tubes, etc	1,000	1,000	752	248
Small equipment	5,500	5,500	2,841	2,659
Capital outlay	12,500	12,500	-	12,500
Total fire department	547,850	547,850	509,512	38,338
Emergency communication services				
E911 services	192,000	192,000	192,002	(2)
Total emergency communication services	192,000	192,000	192,002	(2)
TOTAL PUBLIC SAFETY	2,127,550	2,127,550	2,066,044	61,506
PUBLIC WORKS				
Highways and streets				
Publications	300	300	44	256
Printing service	-	-	57	(57)
Utilities	12,000	12,000	7,081	4,919
Telephone	3,000	3,000	1,454	1,546
Street lighting	140,000	140,000	145,725	(5,725)
Employee physicals	500	500	50	450
Professional services	-	-	3,799	(3,799)
Repair and maintenance - vehicles	5,000	5,000	5,042	(42)
Repair and maintenance - roads	30,000	30,000	387,103	(357,103)
Repair and maintenance - other	20,000	20,000	16,592	3,408
Out-of-town expense	500	500	362	138
Office supplies	1,000	1,000	908	92
Operating supplies	20,000	20,000	22,077	(2,077)
Clothing and uniforms	3,000	3,000	1,962	1,038
Gas, oil, diesel and grease	32,500	32,500	9,622	22,878
Tires, tubes, etc.	3,000	3,000	3,080	(80)
Drainage	30,000	30,000	11,583	18,417
Work release program	30,000	30,000	34,282	(4,282)
Small equipment	10,000	10,000	1,252	8,748
Capital outlay	1,735,000	1,735,000	1,077,201	657,799
Total highways and streets	2,075,800	2,075,800	1,729,276	346,524

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL(continued)
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont.)				
PUBLIC WORKS (cont.)				
State street aid				
Salaries	365,000	365,000	303,313	61,687
OASI	26,500	26,500	21,944	4,556
Health insurance	45,000	45,000	36,149	8,851
Retirement	30,000	30,000	23,965	6,035
Self-insured dental	3,800	3,800	3,301	499
Unemployment	750	750	606	144
Total state street aid	471,050	471,050	389,278	81,772
TOTAL PUBLIC WORKS	2,546,850	2,546,850	2,118,554	428,296
HEALTH, WELFARE AND RECREATION				
Animal control				
Salaries	25,000	25,000	-	25,000
OASI	2,000	2,000	-	2,000
Hospital and health insurance	5,000	5,000	-	5,000
Retirement	2,200	2,200	-	2,200
Unemployment insurance	250	250	15	235
Self-insured dental	350	350	-	350
Utilities	-	-	1,661	(1,661)
Telephone	500	500	-	500
Employee physicals	100	100	-	100
Repair and maintenance services	500	500	-	500
Repair and maintenance - autos	500	500	-	500
Repair and maintenance - other	500	500	-	500
Out of town expense	2,000	2,000	-	2,000
Operating supplies	1,000	1,000	-	1,000
Clothing and uniforms	500	500	-	500
Gas, oil, and diesel	3,000	3,000	-	3,000
Small equipment	1,000	1,000	-	1,000
Appropriation to Hardin County	-	-	35,000	(35,000)
Total animal control	44,400	44,400	36,676	7,724
Parks and recreation				
Salaries	150,000	150,000	141,594	8,406
OASI	4,000	4,000	10,674	(6,674)
Health insurance	4,500	4,500	5,236	(736)
Retirement	4,500	4,500	4,697	(197)
Unemployment insurance	100	100	668	(568)
Self-insured dental	350	350	185	165
Printing and stationery	1,000	1,000	1,251	(251)
Subscriptions and dues	500	500	532	(32)
Memberships	3,000	3,000	5,882	(2,882)
Utility services	40,000	40,000	69,006	(29,006)
Telephone	1,600	1,600	920	680
Professional services	50,000	50,000	11,197	38,803
Medical expenses	100	100	75	25
Repair and maintenance - services	250	250	-	250
Repair and maintenance - vehicles	1,000	1,000	315	685
Repair and maintenance - other	500	500	414	86
Out of town expense	500	500	267	233
Office supplies	500	500	856	(356)
Operating supplies	3,000	3,000	9,095	(6,095)
Supplies - concession	12,500	12,500	21,355	(8,855)
Recreation supplies	40,000	40,000	44,526	(4,526)
Gas, oil and diesel	1,500	1,500	753	747
Small equipment	-	-	11,513	(11,513)
Capital outlay	775,000	775,000	244,430	530,570
Total parks and recreation	1,094,400	1,094,400	585,441	508,959

CITY OF SAVANNAH, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (continued)
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
EXPENDITURES (cont.)				
HEALTH, WELFARE AND RECREATION (cont.)				
Parks and recreation maintenance				
Salaries	100,000	100,000	113,189	(13,189)
OASI	5,000	5,000	7,962	(2,962)
Health insurance	10,000	10,000	9,849	151
Retirement	5,000	5,000	5,592	(592)
Unemployment insurance	350	350	555	(205)
Self-insured dental	1,700	1,700	2,388	(688)
Employee medical	100	100	-	100
Repair and maintenance - vehicles	1,000	1,000	26	974
Repair and maintenance - other	30,000	30,000	27,924	2,076
Operating supplies	15,000	15,000	40,061	(25,061)
Clothing and uniforms	500	500	250	250
Gas, oil and diesel	6,000	6,000	6,945	(945)
Small equipment	10,000	10,000	1,542	8,458
Capital outlay	50,000	50,000	-	50,000
Total parks and recreation maintenance	234,650	234,650	216,283	18,367
Human resources				
Salaries	39,000	39,000	38,371	629
OASI	2,800	2,800	2,720	80
Health insurance	4,500	4,500	4,804	(304)
Retirement	3,000	3,000	3,435	(435)
Unemployment insurance	150	150	74	76
Printing	750	750	918	(168)
Self-insured dental	700	700	1,910	(1,210)
Utility services	1,200	1,200	1,020	180
Telephone	6,000	6,000	5,705	295
Out-of-town expense	900	900	111	789
Operating supplies	1,500	1,500	796	704
Special events	-	-	750	(750)
Small equipment	1,250	1,250	-	1,250
Total human resources	61,750	61,750	60,614	1,136
TOTAL HEALTH, WELFARE AND RECREATION	1,435,200	1,435,200	899,014	536,186
MISCELLANEOUS				
Utilities	4,750	4,750	4,335	415
TOTAL MISCELLANEOUS	4,750	4,750	4,335	415
ECONOMIC DEVELOPMENT				
Consulting services	-	-	10,500	(10,500)
Economic Development - TIF	25,000	25,000	27,896	(2,896)
TOTAL ECONOMIC DEVELOPMENT	25,000	25,000	38,396	(13,396)
DEBT SERVICE				
Interest expense	-	-	-	-
TOTAL DEBT SERVICE	-	-	-	-
TOTAL EXPENDITURES	11,668,744	11,668,744	9,747,745	1,920,999
REVENUES OVER EXPENDITURES	(1,348,844)	(1,348,844)	505,171	1,854,015
OTHER FINANCING SOURCES AND USES				
Operating transfers in	295,848	295,848	130,848	(165,000)
Operating transfer out	(274,007)	(274,007)	(254,139)	19,868
Sale of equipment	10,000	10,000	5,862	(4,138)
TOTAL OTHER FINANCING SOURCES AND USES	31,841	31,841	(117,429)	(149,270)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(1,317,003)	(1,317,003)	387,742	1,704,745
FUND BALANCE AT BEGINNING OF YEAR	6,371,607	6,371,607	6,371,607	-
FUND BALANCE AT END OF YEAR	\$ 5,054,604	\$ 5,054,604	\$ 6,759,349	\$ 1,704,745

The accompanying notes are an integral part of these financial statements.

**CITY OF SAVANNAH, TENNESSEE
SOLID WASTE COLLECTION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Refuse collection charges	\$ 900,000	\$ 900,000	\$ 890,008	\$ (9,992)
Forfeited discounts	12,000	12,000	14,994	2,994
Bad debts collected	1,500	1,500	3,402	1,902
Interest earnings	10,000	10,000	4,429	(5,571)
Total Revenues	<u>923,500</u>	<u>923,500</u>	<u>912,833</u>	<u>(10,667)</u>
Expenditures				
Public Works				
Wages	-	-	115,049	(115,049)
Payroll taxes	-	-	8,801	(8,801)
Health insurance	-	-	7,536	(7,536)
Retirement	-	-	9,235	(9,235)
Unemployment	-	-	310	(310)
Dental	-	-	875	(875)
Utilities	-	-	3,097	(3,097)
Telephone	-	-	1,847	(1,847)
Repairs and maintenance	-	-	5,000	(5,000)
Gas	-	-	10,000	(10,000)
Supplies	-	-	2,500	(2,500)
Clothing and uniforms	-	-	750	(750)
Collection fees	715,000	715,000	707,656	7,344
Bad debts	12,000	12,000	1,374	10,626
Total Expenditures	<u>727,000</u>	<u>727,000</u>	<u>874,030</u>	<u>(147,030)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>196,500</u>	<u>196,500</u>	<u>38,803</u>	<u>(157,697)</u>
Other Financing Sources and Uses:				
Operating transfer out	(165,000)	(165,000)	-	165,000
Net Change in Fund Balances	<u>31,500</u>	<u>31,500</u>	<u>38,803</u>	<u>7,303</u>
Fund Balance at Beginning of Year	<u>1,429,307</u>	<u>1,429,307</u>	<u>1,429,307</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,460,807</u>	<u>\$ 1,460,807</u>	<u>\$ 1,468,110</u>	<u>\$ 7,303</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	SEWER FUND	WATER FUND	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,190,822	\$ 784,985	\$ 887,399	\$ 3,863,206
Investments	2,323,136	150,000	-	2,473,136
Accounts receivable, net of allowance	41,722	65,792	99,012	206,526
Other receivables	7,733	6,998	4,165	18,896
Grant receivables	19,057	-	-	19,057
Due from other funds	11,854	-	1,023	12,877
Natural gas storage	243,994	-	-	243,994
Inventory	81,007	6,237	120,095	207,339
Prepaid expenses	9,231	7,409	16,545	33,185
TOTAL CURRENT ASSETS	4,928,556	1,021,421	1,128,239	7,078,216
RESTRICTED ASSETS				
Cash and cash equivalents	-	468,441	478,418	946,859
Investments	-	100,000	650,000	750,000
TOTAL RESTRICTED ASSETS	-	568,441	1,128,418	1,696,859
PROPERTY, PLANT AND EQUIPMENT				
Land	181,865	32,200	75,482	289,547
Buildings	244,415	333,667	16,076	594,158
Improvements	33,356	187,162	-	220,518
Equipment	1,860,006	301,728	277,488	2,439,222
Distribution plant	5,367,925	14,195,311	22,875,050	42,438,286
Construction in progress	111,118	92,027	359,707	562,852
Total Capital Assets	7,798,685	15,142,095	23,603,803	46,544,583
Less accumulated depreciation	(4,583,104)	(7,787,850)	(10,027,504)	(22,398,458)
NET PROPERTY, PLANT AND EQUIPMENT	3,215,581	7,354,245	13,576,299	24,146,125
OTHER ASSETS				
Net pension asset	72,893	47,930	94,860	215,683
DEFERRED OUTFLOWS				
Deferred outflows related to pension investments	27,528	18,002	35,707	81,237
TOTAL ASSETS	8,244,558	9,010,039	15,963,523	33,218,120
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	5,723	11,587	14,430	31,740
Due to other funds	1,023	5,233	5,344	11,600
Accrued liabilities	27,632	2,083	28,277	57,992
Customer deposits	202,527	52,336	104,561	359,424
Current portion of long-term debt	42,000	103,850	348,150	494,000
TOTAL CURRENT LIABILITIES	278,905	175,089	500,762	954,756
LONG-TERM LIABILITIES				
Compensated absences	31,942	21,591	72,663	126,196
Bonds and notes payable (net of unamortized premium)	500,500	2,854,143	7,159,312	10,513,955
TOTAL LONG-TERM LIABILITIES	532,442	2,875,734	7,231,975	10,640,151
TOTAL LIABILITIES	811,347	3,050,823	7,732,737	11,594,907
DEFERRED INFLOWS				
Deferred inflows related to pension investments	125,238	82,348	162,982	370,568
NET POSITION				
Net investment in capital assets	2,673,081	4,396,252	6,068,837	13,138,170
Restricted net position	-	568,441	1,128,418	1,696,859
Unrestricted net position	4,634,892	912,175	870,549	6,417,616
TOTAL NET POSITION	\$ 7,307,973	\$ 5,876,868	\$ 8,067,804	\$ 21,252,645

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	SEWER FUND	WATER FUND	TOTALS
OPERATING REVENUES				
Charges for services	\$ 3,163,139	\$ 1,368,360	\$ 2,734,378	\$ 7,265,877
Recovery of uncollectible accounts	5,089	4,268	6,157	15,514
Uncollectible accounts	(11,641)	(9,172)	(10,247)	(31,060)
Sale of materials	1,613	1,739	7,004	10,356
Miscellaneous	7,900	2,134	8,452	18,486
TOTAL OPERATING REVENUES	3,166,100	1,367,329	2,745,744	7,279,173
OPERATING EXPENSES				
Natural gas purchases	1,850,056	-	-	1,850,056
Operations - supply and treatment	221,307	141,326	335,448	698,081
Operations - distributions	-	139,578	185,979	325,557
Repairs and maintenance	450,819	311,383	1,004,282	1,766,484
Accounting and collecting	110,263	65,058	83,666	258,987
Administrative and general	158,311	131,502	160,792	450,605
Economic development	67,500	-	-	67,500
Depreciation	139,756	353,598	550,351	1,043,705
TOTAL OPERATING EXPENSES	2,998,012	1,142,445	2,320,518	6,460,975
OPERATING INCOME	168,088	224,884	425,226	818,198
NONOPERATING REVENUES (EXPENSES)				
Rental income	-	-	27,600	27,600
Pension income	3,275	2,153	4,261	9,689
Gain on sale of capital assets	9,621	-	6,675	16,296
Interest income	12,258	743	3,175	16,176
Interest and amortization expense	(18,806)	(70,842)	(175,371)	(265,019)
TOTAL NONOPERATING REVENUES (EXPENSES)	6,348	(67,946)	(133,660)	(195,258)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	174,436	156,938	291,566	622,940
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers to other funds	(74,165)	(20,540)	(36,143)	(130,848)
Capital contributions	22,679	20,739	20,582	64,000
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	(51,486)	199	(15,561)	(66,848)
CHANGE IN NET POSITION	122,950	157,137	276,005	556,092
NET POSITION - BEGINNING OF YEAR	7,240,644	5,756,303	7,864,182	20,861,129
RESTATEMENT - GASB Statement No. 68 implementation	(55,621)	(36,572)	(72,383)	(164,576)
NET POSITION - BEGINNING OF YEAR, as restated	7,185,023	5,719,731	7,791,799	20,696,553
NET POSITION - END OF YEAR	\$ 7,307,973	\$ 5,876,868	\$ 8,067,804	\$ 21,252,645

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	GAS FUND	SEWER FUND	WATER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,160,947	\$ 1,351,630	\$ 2,725,900	\$ 7,238,477
Cash received from other funds for services	72,967	-	-	72,967
Other operating cash receipts	7,900	2,134	8,452	18,486
Cash payments to suppliers for goods and services	(2,163,512)	(435,744)	(938,757)	(3,538,013)
Cash payments to employees for services	(590,788)	(376,905)	(850,903)	(1,818,596)
Cash payments to other funds for services	-	(6,119)	(89,318)	(95,437)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>487,514</u>	<u>534,996</u>	<u>855,374</u>	<u>1,877,884</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Amounts paid to others - tax equivalents	(74,165)	(20,540)	(36,143)	(130,848)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(74,165)</u>	<u>(20,540)</u>	<u>(36,143)</u>	<u>(130,848)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of fixed assets	(133,001)	(198,209)	(248,120)	(579,330)
Gain on sale of capital assets	9,621	-	6,675	16,296
TDOT revenue	3,622	20,739	20,582	44,943
Retirement of bonds and notes payable	(38,500)	(102,363)	(338,651)	(479,514)
Interest paid on long-term debt	(18,806)	(71,875)	(182,284)	(272,965)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(177,064)</u>	<u>(351,708)</u>	<u>(741,798)</u>	<u>(1,270,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from rent of property	-	-	27,600	27,600
Interest on cash and investments	12,258	743	3,175	16,176
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>12,258</u>	<u>743</u>	<u>30,775</u>	<u>43,776</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	248,543	163,491	108,208	520,242
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,942,279</u>	<u>1,089,935</u>	<u>1,257,609</u>	<u>4,289,823</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,190,822</u>	<u>\$ 1,253,426</u>	<u>\$ 1,365,817</u>	<u>\$ 4,810,065</u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Income from operating activities	\$ 168,088	\$ 224,884	\$ 425,226	\$ 818,198
Adjustments to reconcile income from operations to net cash				
Depreciation and amortization	139,756	353,598	550,351	1,043,705
GASB 68 adjustments related to pension expenses	(27,528)	(18,002)	(35,707)	(81,237)
Changes in Assets and Liabilities:				
(Increase) decrease in accounts receivable	2,830	(14,271)	(11,623)	(23,064)
(Increase) decrease in other receivables	299	803	308	1,410
(Increase) decrease in due from other funds	93,260	12,151	5,216	110,627
(Increase) decrease in natural gas inventory	143,095	-	-	143,095
(Increase) decrease in inventory	(18,486)	(527)	(11,046)	(30,059)
(Increase) decrease in prepaid insurance	339	(156)	(3,205)	(3,022)
Increase (decrease) in accounts payable	2,266	6,536	10,333	19,135
Increase (decrease) in due to other funds	(20,293)	(18,270)	(94,534)	(133,097)
Increase (decrease) in customer deposits	(382)	(97)	(77)	(556)
Increase (decrease) in compensated absences	1,172	(12,608)	8,343	(3,093)
Increase (decrease) in accrued liabilities	3,098	955	11,789	15,842
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 487,514</u>	<u>\$ 534,996</u>	<u>\$ 855,374</u>	<u>\$ 1,877,884</u>
NONCASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Disposal of fully depreciated capital assets	\$ -	\$ 8,830	\$ -	\$ 8,830
Capital asset acquisitions	\$ (143,900)	\$ (198,209)	\$ (248,120)	\$ (590,229)
Book value of equipment trade-in	10,899	-	-	10,899
Cash acquisition and construction of capital assets	<u>\$ (133,001)</u>	<u>\$ (198,209)</u>	<u>\$ (248,120)</u>	<u>\$ (579,330)</u>

**CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

1. B. REPORTING ENTITY

The City of Savannah (government) is a municipal corporation governed by an appointed City Manager and five-member governing commission/Board of Commissioners. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that is legally separate from the government. Currently, the City has no blended component units.

Discretely Presented Component Units. Savannah Industrial Development Corporation (SIDC) is a nonprofit organization located in Savannah, Tennessee. Its purpose is to increase employment opportunities by promoting industry, trade, commerce, tourism and recreation in Hardin County, Tennessee. SIDC is a component unit of the City of Savannah since (1) board members are appointed by the City Commission and (2) it receives a significant portion of its funding from the City of Savannah. Accordingly, this financial data is incorporated into the City's financial statements. The City Commission determines the amount of money to contribute each year to SIDC. The City appropriated \$67,500 for economic development to SIDC in the current year. Complete financial statements of SIDC may be obtained from the Savannah Industrial Development Corporation, c/o Steve Bunnell, 495 Main Street, Savannah, TN 38372.

Jointly Governed Organizations

Jointly governed organizations occur when governments use contracts to establish separate activities for their mutual benefit that are beyond the control of any single participating government. The City, in conjunction with the County, has created the Savannah/Hardin County Airport Commission. The board is comprised of three members appointed by the City and three by the County. The City appropriated \$25,000 for an operational grant and \$34,243 for a capital grant to the Commission for 2015.

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

1. C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the government has a discretely present component unit. Savannah Industrial Development Corporation is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

1. D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provided information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

The *Solid Waste Fund* accounts for the solid waste revenue and expenditures related to disposal services.

The government reports the following major enterprise funds:

The *Gas Fund* accounts for activities associated with the gas distribution system.

The *Sewer Fund* accounts for the activities associated with the sewage treatment plant, sewage pumping stations and collection systems.

The *Water Fund* accounts for the activities associated with the water distribution system.

Additionally, the government reports the following fund types:

The *Police Drug Fund* accounts for revenues and expenditures on drug fines and enforcement costs.

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the city other than debt service payments made by enterprise funds. This fund is used to pay the debt incurred to finance the construction of the police department, purchase police cars, and to improve City Hall.

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

1.E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

1.F. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, solid waste fund, police drug fund, and debt service – sinking fund.

The City adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 1, the City Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.
- Prior to July 1, the budget is legally adopted by the Mayor and Board of Commissioners through adoption of the appropriation ordinance upon two readings.
- The City is responsible for controlling expenditures of the various agencies of the Town government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

Budgeted amounts are shown as originally adopted and after final amendments by the City Commission. Budget appropriations lapse at year end. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the all funds are presented as fund financial statements.

1.G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories and Prepaid Item

Inventories are valued at cost which approximates market and consist primarily of expendable supplies. Cost is determined using an average-cost method. All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. The Gas Fund's inventory consists of materials (25%) and natural gas storage (75%). Natural gas storage inventory is accounted for on the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

assets with an initial, individual cost as follows: \$10,000 with a life greater than one year is recorded as capital outlay in the department for which it was purchased.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of some assets. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives in years:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	10 - 20
Equipment	5 - 10
Vehicles	5 - 7
Plant	15 - 40

Deferred outflows/inflows of revenues

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are for pension changes in experience, changes in pension proportionate share of contributions, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. Accordingly, the items, are reported in the government-wide Statement of Net Position and the proprietary Statement of Net Position. These items are from the following sources: current and delinquent property taxes, pension changes in experience, and changes in pension investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of restricted or net investment in capital assets.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by the formal action of the government's highest level of decision-making authority. The City Commission is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used for the government for specific purposes but do not meet the criteria to be classified as committed. The Board of Commissioners has by resolution authorized the City Manager to assign fund balance. The Board of Commissioners may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to remove or revise a commitment.

1.H. PENSIONS

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

Retirement System (TCRS), and additions to/deductions from the City's net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

1.I. REVENUES AND EXPENDITURES/ EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1st. The taxes are due and payable from the following October through February in the year succeeding the tax levy. The billings are considered past due on March 1, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Compensated Absences

The City's policy regarding vacation time permits employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water, and gas fund are charges to customers for sales and services. These funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sales Tax

Hardin County presently levies a two and one-half percent sales tax on taxable sales within the County, of which the City receives one half of the collected amount through the statutory formula indicated in *Tennessee Code Annotated*. The sales tax is collected by the Tennessee Department of Revenue and two and one-half percent is remitted to the County in the month following receipt by the Department of Revenue. The County then remits one and one-fourth percent to the City. The Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is recorded in the General Fund. Sales tax remitted to the City in July and August has been accrued and is included under the caption "Due from other governments."

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

2. A. FUND ACCOUNTING REQUIREMENTS

The Police Drug Fund is required as a separate fund by State Law.

2.B. DEPOSITS AND INVESTMENTS - LAWS AND REGULATIONS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. The City has no policy regarding custodial credit risk for deposits.

The City's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The City has no policy that further limits allowable investments.

2. C. REVENUE RESTRICTIONS

The City has various restrictions placed over certain revenue sources from State or local requirements. The primary restricted revenue sources include:

Revenue Source
Gasoline Excise Tax
Grants

Legal Restrictions of Use
Street Purposes
Grant Program Expenditures

2. D. FUND EQUITY RESTRICTIONS

Deficit Fund Balance

Tennessee regulations discourage the creation of a deficit fund balance in any individual fund. All City funds had a positive fund balance for the year ended June 30, 2015.

NOTE 3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

3.A. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The City's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance and pledged collateral.

CITY OF SAVANNAH, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

3.B. RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. The major receivable balance for the governmental activities includes sales tax receivable due from the county and other governments and grant receivables. All amounts are anticipated to be collected within the next year.

Accounts receivable consists of utilities receivable. Receivables detail at June 30, 2015, is as follows:

	Solid Waste	Gas	Sewer	Water	Total
Accounts receivable	\$ 57,772	\$ 43,313	\$ 68,301	\$ 102,789	\$ 272,175
Allowance for doubtful accounts	(2,123)	(1,591)	(2,509)	(3,777)	(10,000)
Net accounts receivable	<u>\$ 55,649</u>	<u>\$ 41,722</u>	<u>\$ 65,792</u>	<u>\$ 99,012</u>	<u>\$ 262,175</u>

Revenues of the Solid Waste, Sewer, Water and Gas Funds are reported net of uncollectible amounts. Total uncollectible amounts related to sales of the period amounted to \$10,000.

3. C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance 7/1/14	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/15
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 1,659,332	\$ -	\$ -	\$ 1,659,332
Construction in progress	946,173	1,010,833	(685,942)	1,271,064
Total Capital assets not being depreciated	<u>2,605,505</u>	<u>1,010,833</u>	<u>(685,942)</u>	<u>2,930,396</u>
Capital assets being depreciated				
Buildings	2,454,709	67,671	-	2,522,380
Equipment	5,683,137	121,080	(27,205)	5,777,012
Improvements	7,856,469	1,005,602	-	8,862,071
Total Capital assets being depreciated	<u>15,994,315</u>	<u>1,194,353</u>	<u>(27,205)</u>	<u>17,161,463</u>
Less accumulated depreciation for:				
Buildings	(1,683,145)	(27,898)	-	(1,711,043)
Equipment	(4,661,049)	(215,253)	27,205	(4,849,097)
Improvements	(2,072,451)	(344,348)	-	(2,416,799)
Total accumulated depreciation	<u>(8,416,645)</u>	<u>(587,499)</u>	<u>27,205</u>	<u>(8,976,939)</u>
Total capital assets, being depreciated, net	<u>7,577,670</u>	<u>606,854</u>	<u>-</u>	<u>8,184,524</u>
Governmental activities capital assets, net	<u>\$ 10,183,175</u>	<u>\$ 1,617,687</u>	<u>\$ (685,942)</u>	<u>\$ 11,114,920</u>

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	Balance 7/1/14	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/15
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 290,313	\$ -	\$ (766)	\$ 289,547
Construction in Progress	304,045	315,248	(56,441)	562,852
Total Capital assets not being depreciated	<u>594,358</u>	<u>315,248</u>	<u>(57,207)</u>	<u>852,399</u>
Capital assets being depreciated				
Buildings	594,158	-	-	594,158
Improvements	201,184	19,334	-	220,518
Equipment	2,383,251	157,000	(101,029)	2,439,222
Plant	42,282,433	155,087	766	42,438,286
Total Capital assets being depreciated	<u>45,461,026</u>	<u>331,421</u>	<u>(100,263)</u>	<u>45,692,184</u>
Less accumulated depreciation for:				
Buildings	(176,219)	(14,906)	-	(191,125)
Improvements	(99,959)	(18,097)	-	(118,056)
Equipment	(2,159,771)	(53,491)	90,131	(2,123,131)
Plant	(19,008,935)	(957,211)	-	(19,966,146)
Total accumulated depreciation	<u>(21,444,884)</u>	<u>(1,043,705)</u>	<u>90,131</u>	<u>(22,398,458)</u>
Total capital assets, being depreciated, net	<u>24,016,142</u>	<u>(712,284)</u>	<u>(10,132)</u>	<u>23,293,726</u>
Business-type activities capital assets, net	<u>\$ 24,610,500</u>	<u>\$ (397,036)</u>	<u>\$ (67,339)</u>	<u>\$ 24,146,125</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Function:

General and administrative	\$ 26,609
Public safety	206,769
Public works	144,486
Health, recreation and welfare	<u>209,635</u>

Total depreciation expense – governmental activities \$587,499

Business-type Activities:

Water	\$550,351
Sewer	353,598
Gas	<u>139,756</u>

Total depreciation expense – business-type activities \$1,043,705

3. D. ACCRUED LIABILITIES

Accrued expenses reported by governmental funds at June 30, 2015, consisted of accrued salaries and related accrued payroll expenses.

3. E. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description. Employees of Savannah are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs. The TCRS issues a publically available financial report that can be obtained at www.treasury.state.tn.us.

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Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

(Exclude the COLA language if COLA is not included by the governmental entity)

Employees covered by benefit terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	55
Active employees	79
	<u>178</u>

The plan is closed to new entrants.

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Savannah makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Savannah were \$187,496 based on a rate of 6.11 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Savannah's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Savannah's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent.
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent (USE only if COLA is provided)

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be

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made at the current rate and that contributions from Savannah will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) -(b)
Balance at 6/30/13	\$ 11,138,799	\$ 10,564,905	\$ 573,894
Changes for the year:			
Service cost	287,837		287,837
Interest	843,912		843,912
Differences between expected and actual experience	(104,761)		(104,761)
Contributions- employer		192,931	(192,931)
Contributions- employees		158,401	(158,401)
Net investment income		1,752,329	(1,752,329)
Benefit payments, including refunds of employee contributions	(348,952)	(348,952)	-
Administrative expense		(3,513)	3,513
Net changes	678,036	1,751,196	(1,073,160)
Balance at 6/30/14	\$ 11,816,835	\$ 12,316,101	\$ (499,266)

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Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net position liability (asset) of Savannah calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Savannah's net pension liability (asset)	\$ 1,043,151	\$ (499,266)	\$ (1,795,499)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows Of Resources Related to Pensions

Pension income. For the year ended June 30, 2015, Savannah recognized pension income of \$22,431.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Savannah reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 89,795
Net difference between projected and actual earnings on pension plan investments	-	768,003
Contributions subsequent to the measurement date of June 30, 2014	187,496	(not applicable)
	<u>\$ 187,496</u>	<u>\$ 857,798</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ (206,967)
2017	(206,967)
2018	(206,967)
2019	(206,967)
2020	(14,966)
Thereafter	(14,966)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, Savannah did not report a payable to the pension plan for the year ended June 30, 2015.

3.F CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction commitments. The City has active grant and construction projects as of June 30, 2015. The projects include flood mitigation project (2012 Disaster Recovery Project), historic district pedestrian project, veterans park memorial project, and Tennessee Main Street Facade.

At yearend, the government's commitments with contractors are as follows for governmental funds:

Project	Spent-to-Date	Remaining	Funding Source
Flood mitigation	\$ 861,528	\$388,472 (estimate)	2012 Disaster Recovery Grant
Historic District sidewalk	\$ 78,179	\$975,821 (estimate)	City funds and TDOT E. Grant
Veterans Memorial Park III	\$ 68,291	\$406,709 (estimate)	City funds
Tennessee Main Street Façade	\$ 4,589	\$35,411 (estimate)	City funds
Total Construction in Process	<u>\$ 1,012,587</u>		

Construction in progress in the business-type activities of \$562,852 is comprised of \$111,118 gas, \$92,027 sewer, and \$359,707 water. The majority of these construction commitments are for ongoing projects to relocate lines. City utility funds and TDOT are the funding sources.

3. G. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is carried for employees bonds and certain property destruction and employee health and accident claims. The City also participates in the Tennessee Municipal League Risk Management Pool, a public entity risk pool, for errors and omissions, automobile liability and physical damage, workers compensation, and employees' liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years. The Tennessee Municipal League Risk Management Pool has been self-sustaining through member premiums. Members consist of local jurisdiction municipalities and utility districts in the state. Members are responsible for a pro-rata portion of claims which exceed the Pool's reserves. No additional assessments have ever been made by the Pool to its members as a result of losses experienced.

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The City maintains the Employee Dental Insurance Fund to account for the City's employee dental care coverage program. Revenues are recognized from payroll deductions and City contributions.

Changes in the claims liability for all employees are as follows:

	Beginning Balance	Claims Incurred	Payments	Ending Balance
Dental claims	<u>\$ -</u>	<u>\$ 35,543</u>	<u>\$ 35,543</u>	<u>\$ -</u>

3. H. LONG-TERM DEBT

General Obligation Bonds

The government issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental funds and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years.

General obligation bonds outstanding at June 30, 2015 are as follows.

Governmental Activities:

General Obligation Bonds

	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 6/30/2015
1999 Series			3.89%		\$ 1,285,927
2012 Series	2012	\$ 2,495,000	2.00-3.00%	2036	2,315,000
					<u>\$ 3,600,927</u>

Business-type Activities:

General Obligation Bonds

	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 6/30/2015
2012 Series (Refunding)	2012	\$ 7,315,000	1.00-3.00%	2036	<u>\$ 6,775,000</u>

Governmental Activities

As of June 30, 2015, the governmental long-term debt of the City consisted of the following:

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General Obligation Bonds

1999 TML Bond Series due in 2029, bearing an interest rate of 3.89%.	\$ 1,285,927
2012 Bond Series due in 2036, bearing an interest rate of 2.00%-3.00%	2,315,000
2012 Bond Series Reoffering Premium	56,794

Other Debt

Compensated absences	190,979
Landfill closure costs	203,293

Total Government Activity Debt	\$ 4,051,993
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The liability for general obligation bonds and compensated absences is fully liquidated by the general fund while the liability for landfill closure costs is fully liquidated by the solid waste fund.

Business-type Activities

As of June 30, 2015, the business-type long-term debt of the City consisted of the following:

Business-type Activities

Revenue Bonds

2009 Water and Gas System Revenue and Tax Deficiency Bond, dated December 17, 2009, due June 1, 2010, through June 30, 2024, at 3.295%.	\$ 1,550,000
2010 Sewer System Revenue and Tax Deficiency Bond, dated December 8, 2010, due January 8, 2011, through December 8, 2048, at 3.00%.	335,447
2010 Sewer System Revenue and Tax Deficiency Bond, dated March 11, 2010, due October 13, 2010, through September 13, 2048, at 3.25%.	507,293

General Obligation Bonds

2012 Water and Sewer General Obligation Bonds, Series 2012, Refunding, dated June 30, 2013 due June 30, 2013, through June 30, 2036 at 1.00% - 3.00%.	6,775,000
2012 Water and Sewer GOB, Series 2012, Reoffering Premium	162,887

Notes Payable

2001 Adjustable Rate Pooled Financing Revenue Bonds, dated February 27, 2002, due May 25, 2003, through May 25, 2022, at prime rate.	464,000
State Revolving Fund Loan, interest rate of 1.84%, due in monthly installments over 20 years	1,213,328

Other Debt

Compensated absences	126,196
Total Business-type Activities	\$ 11,134,151

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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 7/1/2014	Issues or Additions	Retirements	Balance 6/30/2015	Due within one year
<u>Governmental-type Activities</u>					
General Obligation Bonds	\$ 3,766,055	\$ -	\$ 165,128	\$ 3,600,927	\$ 168,010
Series 2012 Premium	59,565	-	2,771	56,794	-
Landfill Closure Costs	207,996	-	4,703	203,293	-
Compensated Absences	178,991	11,988	-	190,979	-
Total governmental-type activities	<u>4,212,607</u>	<u>11,988</u>	<u>172,602</u>	<u>4,051,993</u>	<u>168,010</u>
<u>Business-type Activities</u>					
Revenue Bonds	2,516,902	-	124,162	2,392,740	134,604
General Obligation Bonds	7,020,000	-	245,000	6,775,000	245,000
Series 2012 Premium	170,833	-	7,946	162,887	-
Notes Payable	1,787,680	-	110,352	1,677,328	114,396
Compensated Absences	129,289	-	3,093	126,196	-
Total governmental-type activities	<u>11,624,704</u>	<u>-</u>	<u>490,553</u>	<u>11,134,151</u>	<u>494,000</u>
Total	<u>\$ 15,837,311</u>	<u>\$ 11,988</u>	<u>\$ 663,155</u>	<u>\$ 15,186,144</u>	<u>\$ 662,010</u>

Annual Requirements to Retire Debt Outstanding

The annual aggregate maturities for bonds and notes payable for the years subsequent to June 30, 2015, are as follows:

Year Ending June 30,	<i>General Obligation Bonds</i>				Total
	Governmental-Type Activities	Business-Type Activities			
	Principal	Interest	Principal	Interest	
2016	\$ 168,010	\$ 85,242	\$ 245,000	\$ 158,188	\$ 656,440
2017	171,011	81,533	250,000	153,287	655,831
2018	174,135	77,748	255,000	148,288	655,171
2019	172,387	73,889	265,000	143,187	654,463
2020	180,774	70,046	275,000	137,887	663,707
2021-2025	984,736	287,452	1,460,000	604,838	3,337,026
2026-2030	964,874	169,904	1,655,000	445,062	3,234,840
2031-2035	645,000	76,187	1,940,000	231,328	2,892,515
2036-2040	140,000	4,200	430,000	12,899	587,099
	<u>\$ 3,600,927</u>	<u>\$ 926,201</u>	<u>\$ 6,775,000</u>	<u>\$ 2,034,964</u>	<u>\$ 13,337,092</u>

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Year Ending June 30,	<u>Revenue Bonds</u> Business-type Activities		<u>Notes Payable</u> Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 134,604	\$ 77,656	\$ 114,396	\$ 45,090	\$ 371,746
2017	140,071	74,309	118,464	41,272	374,116
2018	145,552	70,454	122,544	37,342	375,892
2019	151,049	66,056	126,648	33,288	377,041
2020	156,561	61,359	130,776	29,210	377,906
2021-2025	891,095	222,408	475,484	79,346	1,668,333
2026-2030	206,611	101,929	357,924	38,256	704,720
2031-2035	124,778	79,963	231,092	6,623	442,456
2036-2040	146,043	58,697	-	-	
2041-2045	170,941	33,800	-	-	
2046-2050	125,435	6,653	-	-	
	<u>\$ 2,392,740</u>	<u>\$ 853,284</u>	<u>\$ 1,677,328</u>	<u>\$ 310,427</u>	<u>\$ 4,692,210</u>

3. I. INTERFUND TRANSACTIONS AND BALANCES

Operating Transfers

The General Fund made an operating transfer to the Debt Service – Sinking Fund in the amount of \$234,139 and to the Drug Fund in the amount of \$20,000. Also, the General Fund received transfers in the amount of \$20,540, \$36,143, and \$74,165 from the Sewer, Water and Gas Funds respectively for in-lieu of tax payments.

Interfund Receivables and Payables

DUE TO:	<u>Drug</u>	<u>Gas</u>	<u>Water</u>	<u>Totals</u>
DUE FROM:				
General	\$ 8,995	\$ -	\$ -	\$ 8,995
Solid Waste	-	1,277	-	-
Gas	-	-	1,023	1,023
Sewer	-	5,233	-	5,233
Water	-	5,344	-	5,344
Totals	<u>\$ 8,995</u>	<u>\$ 11,854</u>	<u>\$ 1,023</u>	<u>\$ 20,595</u>

The due to/froms originated in the current year from misclassifications of items in the wrong fund. These balances are all expected to be repaid within one year.

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3.J. FUND BALANCE REPORTING

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. *Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action (ordinance) of the Board of Commissioners (the City's highest level of decision-making authority).
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the Board of Commissioners.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

NOTE 4. OTHER NOTES

4. A. ACCOUNTING CHANGES

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*, and Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement 67, effective for fiscal years beginning after June 15, 2013, revises existing standards of financial reporting by state and local government pension plans and will be adopted by the pension plan itself. Statement 68 will affect the governments that participate as employers in these plans and is effective for fiscal years beginning after June 15, 2014. For governments to adopt Statement 68, the underlying pension plans must first adopt Statement 67. These statements establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulated and managing assets dedicated for pensions, and paying benefits to plan members as they come due. Statement 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions. These pension standards include significant changes to how governmental employers will report liabilities related to pension obligations.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

4. B. LANDFILL POSTCLOSURE COSTS

In prior years, the City has operated a landfill jointly with Hardin County. This landfill has been closed. State and federal laws and regulations required the City to place a final cover on its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City will report a portion of postclosure care costs as an operating expense in each fiscal year. The City has recognized postclosure costs of \$203,293 as a liability in the long-term governmental debt on the government-wide financial statement. These amounts are based on what it would currently cost to perform all postclosure care. Actual cost may differ due to inflation or deflation, technology, or applicable laws or regulations.

4. C. COMMITMENTS AND CONTINGENCIES

The City is a defendant in one lawsuit brought against it. The City cannot predict the outcome of this case and it is possible losses could be incurred. The amount of such possible losses is estimated to be around \$30,000.

In the 2010 fiscal year, the City agreed to purchase the Louie Black property for \$535,000 from Hardin County, to take possession of the parcels of property known as North Elementary, and to give a portion of Savannah's share of the local option sales tax to Hardin County for debt service of the Hardin County School Building and Improvement Project in the principal amount of \$4,000,000.

The City entered into a tax increment financing agreement along with Hardin County and SIDC in 2006 to finance a local business's purchase of land. The assessed values of that property as well as adjoining properties (collectively, the "plan area") are expected to substantially increase which should result in greater property tax collections. Future annual property tax collections for that plan area that exceed the annual collections prior to development have been committed for repayment of the debt as financed by SIDC.

4. D. RESTATEMENTS

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing the government-wide beginning net position by \$216,387 has been recognized on the Statement of Activities. In addition, a restatement decreasing the proprietary funds' beginning net positions by the amounts listed below have been recognized on the Statement of Activities:

Water Fund	\$ 72,383
Sewer Fund	\$ 36,572
Natural Gas Fund	\$ 55,621

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
FISCAL YEAR ENDING JUNE 30

	<u>2014</u>
Total pension liability	
Service Cost	\$ 287,837
Interest	843,912
Changes in benefit terms	-
Differences between actual and expected experience	(104,761)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(348,952)</u>
Net change in total pension liability	678,036
Total pension liability - beginning	<u>11,138,799</u>
Total pension liability - ending (a)	<u><u>\$11,816,835</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 192,931
Contributions - employee	158,401
Net investment income	1,752,329
Benefit payments, including refunds of employee contributions	(348,952)
Administrative expense	<u>(3,513)</u>
Net change in plan fiduciary net position	1,751,196
Plan fiduciary net position - beginning	<u>10,564,905</u>
Plan fiduciary net position - ending (b)	<u><u>\$12,316,101</u></u>
 Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (499,266)</u></u>
 Plan fiduciary net position as a percentage of total pension liability	104.23%
 Covered-employee payroll	\$ 3,168,010
 Net pension liability (asset) as a percentage of covered-employee payroll	15.76%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC
EMPLOYEE PENSION PLAN OF TCRS
FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 192,931	\$ 187,496
Contributions in relation to the actuarially determined contribution	<u>192,931</u>	<u>187,496</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 3,168,010	 \$ 3,068,676
Contributions as a percentage to covered payroll	6.09%	6.11%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

Notes to Schedule

Valuation date: Actuarially determined contribution rates for were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	6 years
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>Special Revenue</u> <u>Police Drug</u> <u>Fund</u>	<u>Debt Service</u> <u>Sinking</u> <u>Fund</u>	<u>Total</u> <u>Other</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash	\$ 39,091	\$ 25,874	\$ 64,965
Due from other fund	8,995	-	8,995
TOTAL ASSETS	<u>\$ 48,086</u>	<u>\$ 25,874</u>	<u>\$ 73,960</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Restricted			
Police Drug Fund	48,086	-	48,086
Debt Service	-	25,874	25,874
TOTAL FUND BALANCE	<u>48,086</u>	<u>25,874</u>	<u>73,960</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 48,086</u>	<u>\$ 25,874</u>	<u>\$ 73,960</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Total</u>
	<u>Police</u>		<u>Sinking</u>		<u>Other</u>
	<u>Drug</u>		<u>Fund</u>		<u>Governmental</u>
	<u>Fund</u>				<u>Funds</u>
Revenues:					
Fines, forfeitures and penalties	\$ 5,345		\$ -		\$ 5,345
Other revenue	46		-		46
Total Revenues	<u>5,391</u>		<u>-</u>		<u>5,391</u>
Expenditures:					
Current:					
Public safety	6,224		-		6,224
Debt service	-		234,139		234,139
Capital outlay	22,475		-		22,475
Total Expenditures	<u>28,699</u>		<u>234,139</u>		<u>262,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,308)</u>		<u>(234,139)</u>		<u>(257,447)</u>
Other Financing Sources (Uses)					
Sale of equipment	-		-		-
Operating transfer in	20,000		234,139		254,139
Total Other Financing Sources and (Uses)	<u>20,000</u>		<u>234,139</u>		<u>254,139</u>
Net Change in Fund Balance	(3,308)		-		(3,308)
Fund Balance at Beginning of Year	<u>51,394</u>		<u>25,874</u>		<u>77,268</u>
Fund Balance at End of Year	<u>\$ 48,086</u>		<u>\$ 25,874</u>		<u>\$ 73,960</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
POLICE DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Drug fines	\$ 15,000	\$ 15,000	\$ 5,345	\$ (9,655)
Seized cash	1,000	1,000	-	(1,000)
Seized property	15,000	15,000	-	(15,000)
Interest income	50	50	46	(4)
Total Revenues	<u>31,050</u>	<u>31,050</u>	<u>5,391</u>	<u>(25,659)</u>
Expenditures:				
Public Safety:				
Salaries	10,000	10,000	-	10,000
OASI	750	750	-	750
Retirement	500	500	-	500
Out of town expense	500	500	3,595	(3,095)
Memberships, fees, and tuition	-	-	1,200	(1,200)
Supplies	2,500	2,000	1,359	641
Clothing	400	400	70	330
Motor vehicle	7,500	7,500	-	7,500
Small equipment	1,000	1,000	-	1,000
Capital outlay	15,000	15,000	22,475	(7,475)
Total Expenditures	<u>38,150</u>	<u>37,650</u>	<u>28,699</u>	<u>8,951</u>
Other Financing Sources and Uses:				
Sale of equipment	-	-	-	-
Operating transfer in	20,000	20,000	20,000	-
Total Other Financing Sources and Uses	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net Change in Fund Balances	<u>12,900</u>	<u>13,400</u>	<u>(3,308)</u>	<u>(16,708)</u>
Fund Balance at Beginning of Year	<u>51,394</u>	<u>51,394</u>	<u>51,394</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 64,294</u>	<u>\$ 64,794</u>	<u>\$ 48,086</u>	<u>\$ (16,708)</u>

CITY OF SAVANNAH, TENNESSEE
DEBT SERVICE - SINKING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Miscellaneous income	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Expenditures:				
Debt Service:				
Principal payments	165,128	165,128	165,128	-
Interest payments	88,879	88,879	68,522	20,357
Bond issue costs	600	600	489	111
Total Expenditures	<u>254,607</u>	<u>254,607</u>	<u>234,139</u>	<u>20,468</u>
 Excess (Deficiency) of Revenues over (under) Expenditures	<u>(254,607)</u>	<u>(254,607)</u>	<u>(234,139)</u>	<u>20,468</u>
 Other Financing Sources and Uses:				
Operating transfer in	254,607	254,607	234,139	(20,468)
 Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balance at Beginning of Year	<u>25,874</u>	<u>25,874</u>	<u>25,874</u>	<u>-</u>
 Fund Balance at End of Year	<u>\$ 25,874</u>	<u>\$ 25,874</u>	<u>\$ 25,874</u>	<u>\$ -</u>

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2015

Levy for Year	Tax Rate	Assessments	Original Tax Levy	Outstanding Taxes Beginning	Taxes Levied	Releases and Adjustments	Collections	Outstanding Taxes Ending
2015	\$ 0.7000	\$ 121,858,362	\$ 853,044	\$ -	\$ 853,044	\$ -	\$ -	\$ 853,044
2014	0.7000	119,184,749	852,606	854,190	46,894	(204)	845,207	55,673
2013	0.7000	119,184,749	834,298	66,859	-	1,115	44,923	23,051
2012	0.7000	119,184,749	834,298	24,429	-	-	10,517	13,912
2011	0.7000	118,193,522	827,354	13,985	-	-	2,788	11,197
2010	0.0700	118,483,507	829,400	11,366	-	-	1,624	9,742
2009	0.7258	118,497,250	829,500	6,114	-	-	731	5,383
2008	0.9300	89,280,805	843,043	5,742	-	-	304	5,438
2007	0.9300	89,280,805	830,330	3,444	-	-	93	3,351
2006	0.9300	92,581,295	819,944	3,417	-	-	99	3,318
2005	0.7300	89,104,342	625,854	2,020	-	-	204	1,816
2004	0.7300	86,246,121	629,628	<u>1,674</u>	<u>-</u>	<u>(1,674)</u>	<u>-</u>	<u>-</u>
				<u>\$ 993,240</u>	<u>\$ 899,938</u>	<u>\$ (763)</u>	<u>\$ 906,490</u>	<u>\$ 985,925</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GENERAL LONG-TERM DEBT
JUNE 30, 2015

Year Ending June 30,	TML Bonds Series 1999		General Obligation Bonds Series 2012		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 73,010	\$ 31,404	\$ 95,000	\$ 53,838	\$ 168,010	\$ 85,242
2017	76,011	29,595	95,000	51,938	171,011	81,533
2018	79,135	27,711	95,000	50,037	174,135	77,748
2019	82,387	25,751	90,000	48,138	172,387	73,889
2020	85,774	23,709	95,000	46,337	180,774	70,046
2021	89,299	21,584	95,000	44,438	184,299	66,022
2022	92,969	19,371	100,000	42,537	192,969	61,908
2023	96,790	17,068	100,000	40,538	196,790	57,606
2024	100,768	14,669	100,000	38,537	200,768	53,206
2025	104,910	12,172	105,000	36,538	209,910	48,710
2026	109,222	9,573	105,000	34,437	214,222	44,010
2027	113,711	6,867	110,000	32,206	223,711	39,073
2028	118,384	4,049	110,000	29,731	228,384	33,780
2029	63,557	1,116	115,000	27,256	178,557	28,372
2030	-	-	120,000	24,669	120,000	24,669
2031	-	-	120,000	21,819	120,000	21,819
2032	-	-	125,000	18,819	125,000	18,819
2033	-	-	130,000	15,537	130,000	15,537
2034	-	-	135,000	11,962	135,000	11,962
2035	-	-	135,000	8,250	135,000	8,250
2036	-	-	140,000	4,200	140,000	4,200
	<u>\$ 1,285,927</u>	<u>\$ 244,639</u>	<u>\$ 2,315,000</u>	<u>\$ 681,762</u>	<u>\$ 3,600,927</u>	<u>\$ 926,401</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - WATER FUND
JUNE 30, 2015

June 30,	Series 2009		Series TMBF 2001		Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 78,000	\$ 33,353	\$ 57,000	\$ 23,250	\$ 213,150	\$ 137,623	\$ 348,150	\$ 194,226
2017	81,250	31,481	60,000	20,500	217,500	133,360	358,750	185,341
2018	84,500	29,287	63,000	17,650	221,850	129,010	369,350	175,947
2019	87,750	26,752	66,000	14,700	230,550	124,573	384,300	166,025
2020	91,000	24,032	69,000	11,750	239,250	119,962	399,250	155,744
2021	94,250	21,075	73,000	8,700	243,600	115,177	410,850	144,952
2022	100,750	17,894	76,000	950	247,950	110,305	424,700	129,149
2023	104,000	14,367	-	-	252,300	105,346	356,300	119,713
2024	107,250	10,623	-	-	261,000	100,300	368,250	110,923
2025	113,750	6,736	-	-	265,350	95,080	379,100	101,816
2026	65,000	2,470	-	-	274,050	89,773	339,050	92,243
2027	-	-	-	-	278,400	83,950	278,400	83,950
2028	-	-	-	-	287,100	77,686	287,100	77,686
2029	-	-	-	-	295,800	71,226	295,800	71,226
2030	-	-	-	-	304,500	64,570	304,500	64,570
2031	-	-	-	-	317,550	57,338	317,550	57,338
2032	-	-	-	-	326,250	49,400	326,250	49,400
2033	-	-	-	-	334,950	40,836	334,950	40,836
2034	-	-	-	-	348,000	31,625	348,000	31,625
2035	-	-	-	-	361,050	22,055	361,050	22,055
2036	-	-	-	-	374,100	11,223	374,100	11,223
	<u>\$ 1,007,500</u>	<u>\$ 218,070</u>	<u>\$ 464,000</u>	<u>\$ 97,500</u>	<u>\$ 5,894,250</u>	<u>\$ 1,770,418</u>	<u>\$ 7,365,750</u>	<u>\$ 2,085,988</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - SEWER FUND
JUNE 30, 2015

June 30.	RUS 92-12		RUS 92-14		SRF		Series 2012		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,917	\$ 9,983	\$ 8,687	\$ 16,361	\$ 57,396	\$ 21,840	\$ 31,850	\$ 20,565	\$ 103,850	\$ 68,749
2017	6,097	9,803	8,974	16,074	58,464	20,772	32,500	19,927	106,035	66,576
2018	6,282	9,618	9,270	15,779	59,544	19,692	33,150	19,278	108,246	64,367
2019	6,474	9,426	9,575	15,473	60,648	18,588	34,450	18,614	111,147	62,101
2020	6,670	9,230	9,891	15,157	61,776	17,460	35,750	17,925	114,087	59,772
2021	6,873	9,027	10,218	14,831	62,916	16,320	36,400	17,211	116,407	57,389
2022	7,082	8,818	10,555	14,493	64,092	15,144	37,050	16,482	118,779	54,937
2023	7,298	8,602	10,903	14,145	65,280	13,956	37,700	15,742	121,181	52,445
2024	7,520	8,380	11,263	13,786	66,480	12,756	39,000	14,987	124,263	49,909
2025	7,749	8,151	11,634	13,414	67,716	11,520	39,650	14,208	126,749	47,293
2026	7,984	7,916	12,018	13,030	68,976	10,260	40,950	13,414	129,928	44,620
2027	8,227	7,673	12,414	12,634	70,260	8,976	41,600	12,544	132,501	41,827
2028	8,477	7,423	12,824	12,224	71,556	7,680	42,900	11,608	135,757	38,935
2029	8,735	7,165	13,247	11,801	72,888	6,348	44,200	10,643	139,070	35,957
2030	9,001	6,899	13,684	11,364	74,244	4,992	45,500	9,648	142,429	32,903
2031	9,275	6,625	14,135	10,913	75,624	3,612	47,450	8,568	146,484	29,718
2032	9,557	6,343	14,602	10,447	77,028	2,208	48,750	7,382	149,937	26,380
2033	9,847	6,053	15,083	9,965	78,440	803	50,050	6,102	153,420	22,923
2034	10,147	5,753	15,581	9,467	-	-	52,000	4,726	77,728	19,946
2035	10,456	5,444	16,095	8,953	-	-	53,950	3,296	80,501	17,693
2036	10,774	5,126	16,626	8,422	-	-	55,900	1,676	83,300	15,224
2037	11,101	4,799	17,174	7,874	-	-	-	-	28,275	12,673
2038	11,439	4,461	17,741	7,307	-	-	-	-	29,180	11,768
2039	11,787	4,113	18,326	6,722	-	-	-	-	30,113	10,835
2040	12,145	3,755	18,930	6,118	-	-	-	-	31,075	9,873
2041	12,515	3,385	19,555	5,493	-	-	-	-	32,070	8,878
2042	12,895	3,005	20,200	4,848	-	-	-	-	33,095	7,853
2043	13,288	2,612	20,867	4,182	-	-	-	-	34,155	6,794
2044	13,692	2,208	21,555	3,493	-	-	-	-	35,247	5,701
2045	14,108	1,792	22,266	2,782	-	-	-	-	36,374	4,574
2046	14,537	1,363	23,001	2,048	-	-	-	-	37,538	3,411
2047	14,979	921	23,759	1,289	-	-	-	-	38,738	2,210
2048	15,435	465	24,543	505	-	-	-	-	39,978	970
2049	7,084	56	2,097	6	-	-	-	-	9,181	62
	<u>\$335,447</u>	<u>\$ 196,393</u>	<u>\$ 507,293</u>	<u>\$ 321,400</u>	<u>\$ 1,213,328</u>	<u>\$212,927</u>	<u>\$ 880,750</u>	<u>\$ 264,546</u>	<u>\$ 2,936,818</u>	<u>\$ 995,266</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS - GAS FUND
JUNE 30, 2015

Year Ending June 30,	Series 2009	
	Principal	Interest
2016	\$ 42,000	\$ 17,959
2017	43,750	16,951
2018	45,500	15,770
2019	47,250	14,405
2020	49,000	12,940
2021	50,750	11,348
2022	54,250	9,635
2023	56,000	7,736
2024	57,750	5,720
2025	61,250	3,627
2026	35,000	1,330
	<u>\$ 542,500</u>	<u>\$ 117,421</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF OUTSTANDING DELINQUENT
PROPERTY TAXES FILED WITH CHANCERY COURT
JUNE 30, 2015**

Tax Year	Outstanding Balance
2014	\$ 55,673
2013	23,051
2012	13,912
2011	11,197
2010	9,742
2009	5,383
2008	5,438
2007	3,351
2006	3,318
2005	1,816
Total	<u>\$ 132,881</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE
JUNE 30, 2015**

WATER RATES

RESIDENTIAL

Inside City Limits	
No usage	\$9.00 (Minimum Bill)
Any usage	\$2.57 per 1,000 Gallons
Outside City Limits	
No usage	\$18.00 (Minimum Bill)
Any usage	\$3.61 per 1,000 Gallons

INDUSTRIAL/COMMERCIAL

Inside City Limits	
No usage	\$12.00 (Minimum Bill)
1 - 50,000 gallons	\$2.57 per 1,000 Gallons
> 50,000 gallons	\$2.25 per 1,000 Gallons
Outside City Limits	
No usage	\$24.00 (Minimum Bill)
1 - 50,000 gallons	\$2.57 per 1,000 Gallons
> 50,000 gallons	\$2.25 per 1,000 Gallons

Number of Customers at Year End: 7,524

SEWER RATES

INSIDE CITY LIMITS

No usage	\$4.16 (Minimum Bill)
Any usage	\$5.54 per 1,000 Gallons
Flat Rate - Well Water without Sewer	\$26.39
- Well Water with Sewer	\$26.39

Number of Customers at Year End: 3,438

NATURAL GAS RATES

0 - 500 Cubic Feet	\$3.81 (Minimum Bill)
Next 399,500 Cubic Feet	7.61 per 1,000 Cubic Feet
All over 400,000 Cubic Feet	\$6.75 per 1,000 Cubic Feet

Note: The Commissioners have approved for the Utility Manager to adjust natural gas rates monthly to current costs due to the volatility of natural gas prices. The above rates are for the month of June 30, 2015.

Number of Customers at Year End: 5,573

SANITATION RATES

Residential	
Constant Rate	\$13.00 per Month
Commercial (Light Solid Waste Generator)	
One Weekly Pickup	\$22.00 per Month
Each Additional Weekly Pickup	\$22.00

Commercial/Industrial (Heavy Solid Waste Generator)
Rate varies as determined by contracted amount with private contractor.

Number of Customers at Year End: 3,268

The accompanying notes are an integral part of these financial statements.

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

2	Click to access definition
+	Click to add a comment

Water Audit Report for: **City of Savannah Utilities (0000611)**

Reporting Year: **2015** **7/2014 - 6/2015**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below

WATER SUPPLIED

<----- Enter grading in column 'E' and 'J' ----->

Master Meter and Supply Error Adjustments

Volume from own sources:	+	?	8	754.594	MG/Yr
Water imported:	+	?	n/a	0.000	MG/Yr
Water exported:	+	?	n/a	0.000	MG/Yr

Pcnt:	7	2.00%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
			<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
			<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: **739.798** MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	+	?	7	496.570	MG/Yr
Billed unmetered:	+	?	9	4.836	MG/Yr
Unbilled metered:	+	?	10	19.158	MG/Yr
Unbilled unmetered:	+	?		9.247	MG/Yr

FALSE

AUTHORIZED CONSUMPTION: **?** **529.811** MG/Yr

Click here: **?**
for help using option
buttons below

Pcnt:	1.25%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
-------	-------	----------------------------------	-----------------------	--	-------

Use buttons to select
percentage of water supplied
OR
value

WATER LOSSES (Water Supplied - Authorized Consumption)

209.987 MG/Yr

Apparent Losses

Unauthorized consumption: **+** **?** **1.849** MG/Yr

FALSE

Customer metering inaccuracies: **+** **?** **6** **21.489** MG/Yr

Systematic data handling errors: **+** **?** **7** **1.241** MG/Yr

Apparent Losses: **?** **24.580** MG/Yr

Pcnt:	0.25%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
-------	-------	----------------------------------	-----------------------	--	-------

4.00%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr
0.25%	<input checked="" type="radio"/>	<input type="radio"/>		MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: **?** **185.407** MG/Yr

WATER LOSSES: **209.987** MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: **?** **238.392** MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: **+** **?** **8** **600.0** miles

Number of active AND inactive service connections: **+** **?** **9** **9,083**

Service connection density: **?** **15** conn./mile main

Are customer meters typically located at the curbside or property line? **Yes**

Average length of customer service line: **+** **?**

(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: **+** **?** **7** **120.0** psi

COST DATA

Total annual cost of operating water system: **+** **?** **10** **\$2,664,741** \$/Year

Customer retail unit cost (applied to Apparent Losses): **+** **?** **9** **\$4.24** \$/1000 gallons (US)

Variable production cost (applied to Real Losses): **+** **?** **8** **\$423.60** \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

***** YOUR SCORE IS: 79 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Volume from own sources

2: Billed metered

3: Customer metering inaccuracies

CITY OF SAVANNAH
 AWWA FREE WATER AUDIT SOFTWARE:
 SYSTEM ATTRIBUTES AND PERFORMANCE INDICATORS
 JUNE 30, 2015

AWWA Free Water Audit Software: WAS			
Water Audit Report for: City of Savannah Utilities (0000611) Reporting Year: 2015 7/2014 - 6/2015			
*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 0 out of 100 ***			
System Attributes:			
	Apparent Losses:	24.580	MG/Yr
	+ Real Losses:	185.407	MG/Yr
	= Water Losses:	209.987	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	201.85	MG/Yr
	Annual cost of Apparent Losses:	\$ 104,217	
	Annual cost of Real Losses:	\$ 78,538	Valued at Variable Production Cost
			<small>Return to Reporting Worksheet to change this assumption</small>
Performance Indicators:			
Financial:	{	Non-revenue water as percent by volume of Water Supplied:	32.2%
		Non-revenue water as percent by cost of operating system:	7.3% Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	7.41 gallons/connection/day
		Real Losses per service connection per day:	N/A gallons/connection/day
		Real Losses per length of main per day*:	846.61 gallons/mile/day
		Real Losses per service connection per day per meter (head) pressure:	N/A gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	185.41 million gallons/year
?		Infrastructure Leakage Index (ILI) [CARL/UARL]:	0.92
<small>* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline</small>			

The accompany notes are an integral part of these financial statements.

CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE
JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Contract Number	Expenditures
<u>Federal Awards</u>			
United States Department of Housing & Urban Dev			
CDBG - Disaster Recovery	14.228	33004-80113	\$ 753,828
United States Department of Transportation			
Highway Planning and Construction -	20.205	STP-M-5729(10)	189,242
Highway Planning and Construction - State Route 128 sewer	20.205	NH-128(27)	16,591
Highway Planning and Construction - State Route 128 water	20.205	NH-128(27)	16,466
Highway Planning and Construction - State Route 128 gas	20.205	NH-128(27)	18,143
Total for Program 20.205			<u>240,442</u>
Law Enforcement Equipment	20.616	Z14GHS300	8,059
Savannah Police Department DUI Enforcement	20.616	Z15GHS309	13,284
Total for Program 20.616			<u>21,343</u>
TOTAL FEDERAL AWARDS			<u>1,015,613</u>
<u>State Financial Assistance</u>			
Department of Transportation			
Highway Planning and Construction - State Route 128 sewer	n/a	NH-128(27)	4,148
Highway Planning and Construction - State Route 128 water	n/a	NH-128(27)	4,116
Highway Planning and Construction - State Route 128 gas	n/a	NH-128(27)	4,536
Total for Program 20.205			<u>12,800</u>
State Law Enforcement Supplement	n/a	n/a	<u>18,600</u>
TOTAL STATE AWARDS			<u>31,400</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 1,047,013</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the accrual basis of accounting in accordance with generally accepted accounting principles.

The accompanying notes are an integral part of these financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Savannah, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Savannah, Tennessee (the City), as of and for the year ended June 30, 2015, and the relate notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PRIOR YEAR DISPOSITIONS

2014-002 INCORRECTLY PREPARED BANK RECONCILIATIONS – corrected.

2014-003 UNTIMELY BANK RECONCILIATION – corrected.

Hodum & Associates, PLLC

February 10, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners
Savannah, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Savannah, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.


Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gordon & Associates, PLLC". The signature is written in a cursive, flowing style.

February 10, 2016

**CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2015**

Financial Statement Findings

Finding Number	Finding Title	Status
2014 - 001	Inadequate Segregation of Duties (original finding #2014-01)	Repeated
2014 - 002	Incorrectly Prepared Bank Reconciliations (original finding #2014-02)	Corrected
2014 - 003	Untimely Bank Reconciliations (original finding #2014-03)	Corrected

Federal Award Findings and Questioned Costs

There was no single audit in the prior year; therefore, there were no prior findings reported.

**CITY OF SAVANNAH, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

SECTION I – Summary of Auditor’s Results

- (a) Type of report issued on the financial statements:
Unqualified
- (b) The audit of the financial statements did disclose one weakness in internal control which was considered a material weakness and no significant deficiencies.
- (c) The audit of the financial statements disclosed no instances of noncompliance which were material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over major programs.
- (e) Type of report issued on compliance for major programs:
Unqualified
- (f) The audit did not disclose any findings required to be reported under Circular A-133, Section 510(a).
- (g) Major programs:
CFDA 14.228 – Community Development Block Grants/State’s Program
- (h) Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000
- (i) The auditee did not qualify as a low-risk auditee.

SECTION II – Financial Statement Findings

2015-001 INADEQUATE SEGREGATION OF DUTIES

The operating structure of the City does not provide adequate segregation of duties between persons with access to assets and those responsible for reconciling records and recording transactions.

Recommendation: Adequate systems of internal control require segregation between individuals with access to assets from those who maintain accounting controls over the assets. The Board and/or the City Manager should review and document their review of each month’s transactions and reconciliations in appropriate detail. See *Internal Control and Compliance Manual for Tennessee Municipalities* Title 5, Chapter 1, page 32.

SECTION III – Federal Award Findings and Questioned Costs

NONE

**CITY OF SAVANNAH, TENNESSEE
CORRECTIVE ACTION PLAN
JUNE 30, 2015**

2015-001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned: We will continue to add processes to further segregate duties associated with our financial process.

Anticipated completion date: Immediately